INDEX TO VOL. IV.

(21,821 and 21,837.)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1909.

No. 595.

JOHN A. KNOTT, H. R. OGLESBY, AND FRANK A. WIGHTMAN, RAILROAD AND WAREHOUSE COMMISSIONERS, AND ELLIOTT W. MAJOR, ATTORNEY GENERAL OF THE STATE OF MISSOURI, APPELLANTS,

vs.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY.

FILED SEPTEMBER 13, 1909.

No. 611.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, APPELLANT,

vs.

JOHN A. KNOTT, H. R. OGLESBY, AND FRANK A. WIGHTMAN, RAILROAD AND WAREHOUSE COMMISSIONERS, AND ELLIOTT W. MAJOR, ATTORNEY GENERAL OF THE STATE OF MISSOURI, ET AL.

FILED SEPTEMBER 22, 1909.

APPEALS FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF MISSOURI.

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Exhibits (continued).		
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No. 17—Seventeenth annual report of directors of the Wabash Railroad Company. Offered at page 6155.....	6791	3425

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCTOBER 11, 1909.

	Original.	Print
No. 16—Fifteenth annual report of directors of the Wabash Railroad Company. Offered at page 6156	6837	3473
No. 16¹—Sixteenth annual report of directors of the Wabash Railroad Company. Offered at page 6157	6893	3531
No. 17—Sixteenth annual report of directors of the Wabash Railroad Company. Offered at page 6158	6945	3585
No. 15—Seventeenth annual report of directors of the Wabash Railroad Company. Offered at page 6159	6997	3639
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C. Hale	7713	4035
—— Bethard	7798	4077
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W. M. Whitenton	7924	4140
R. E. Kimbell	7981	4167
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C. J. McPherson	8207	4276
P. S. Eustis	8497	4367
J. W. Kendrick	8545	4390
James Peabody	8575	4404
A. L. Conrad	8670	4448
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H. W. Press (recalled)	9083	4638
Alexander Douglas (recalled)	9101	4644
Frank Nay (recalled)	9102	4645

Vol. IV.

6734 The Exhibits in the Wabash case referred — in the certificate of the Trial Judge as

"Exhibits marked in case No. 3000 and being designated Exhibit 15, being the 15th and 17th Annual Report- of the Directors of the Wabash Railroad Company for the years ending June 30th 1904 and June 30th 1906, respectively. Also the 15th and 16th Annual Report- of the Directors of the Wabash Railroad Company for the years ending June 30th 1904 and June 30th 1905 respectively, each marked Exhibit 16. Also the 16th and 17th Annual Reports of the Directors of the Wabash Railroad Company for the years ending respectively June 30th 1905 and June 30th 1906, each marked Exhibit 17,"

are in the words and figures following:

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FIFTEENTH

ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad

COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1904.

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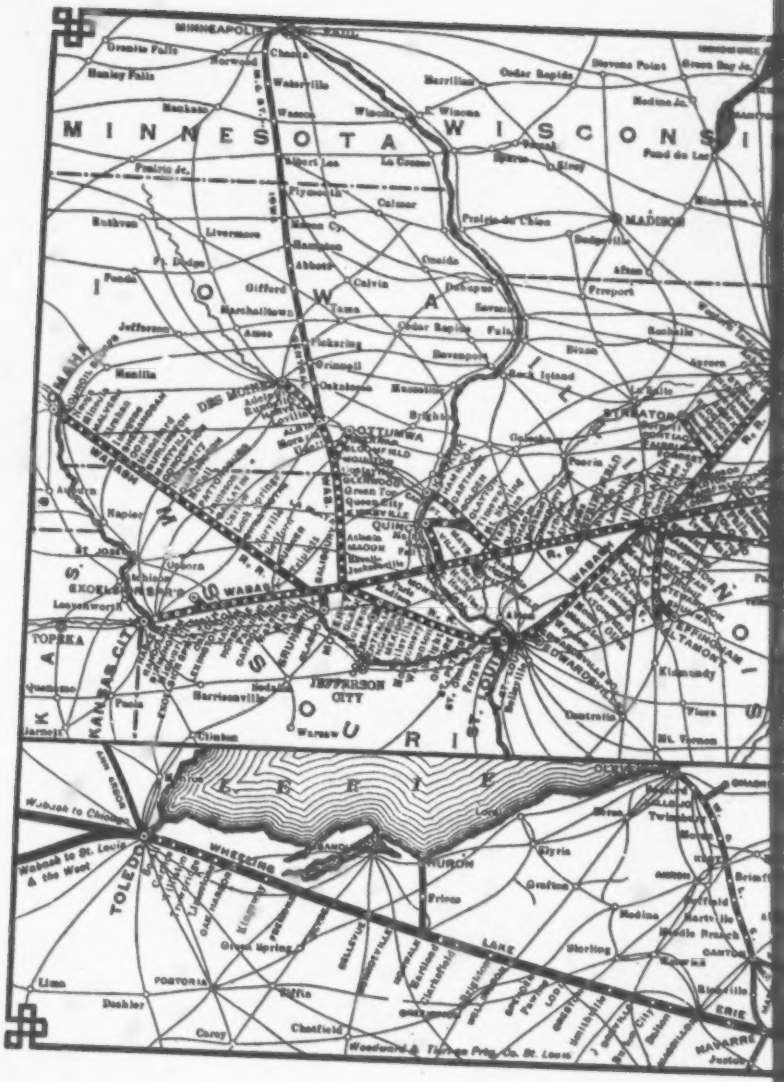
MINNEAPOLIS
MINNESOTA
WISCONSIN
IOWA
MADISON
OTTUMWA
QUINCY
JEFFERSON CITY
TOPEKA
KANSAS CITY
TOLEDO
HURON
LAKE
ERIE
Wabash to Chicago
Wabash to St. Louis & the West
Woodward & Tiernan Prtg. Co. St. Louis

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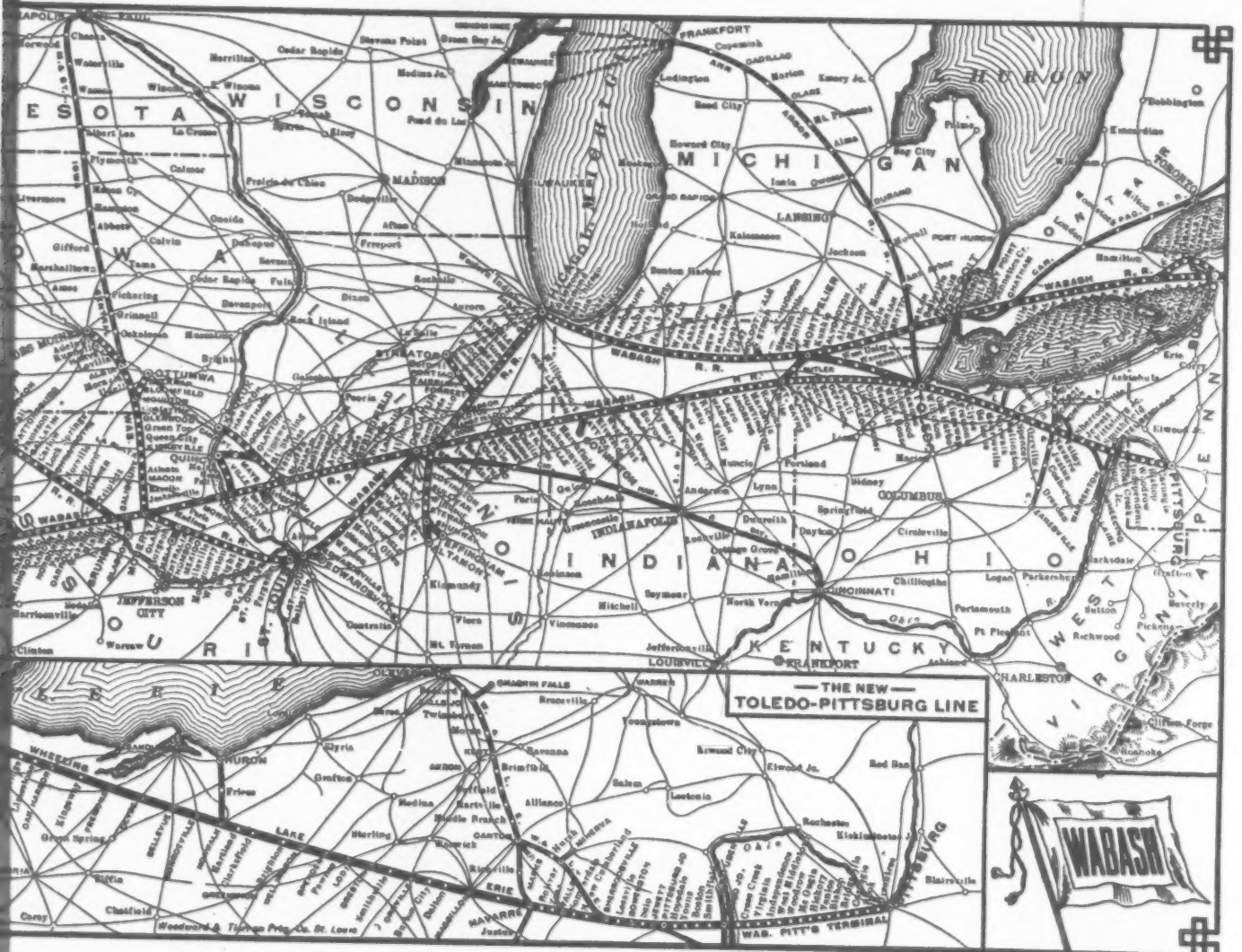
THE NEW
TOLEDO-PITTSBURG LINE
WABASH
WISCONSIN
MICHIGAN
INDIANA
OHIO
KENTUCKY
WEST VIRGINIA
PENNSYLVANIA
ONTARIO
L. HURON
L. ERIE
MADISON
LANSING
COLUMBUS
INDIANAPOLIS
CINCINNATI
LOUISVILLE
FRANKFORT
CHARLESTON
PITTSBURG
JEFFERSON CITY
OTTUMWA
QUINCY
WABASH R. R.
WAB. PITT'S TERMINAL

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Fifteenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For The Fiscal Year Ending
June 30th, 1904.

ST. LOUIS.
Woodward & Tierman Printing Co.
1904.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

GEO. J. GOULD, ... *Chairman of the Board.*
J. RAMSEY, Jr., ... *President.*
O. D. ASHLEY, ... *Vice-President.*
EDGAR T. WELLES, ... *Vice-President.*
M. KNIGHT, ... *Second Vice-President.*
W. H. BLODGETT, ... *Third Vice-President and General Counsel*
A. C. BIRD, ... *Vice-President.*
E. B. PRYOR, ... *Asst. to the President, Executive Dept.*
H. W. ASHLEY, ... *Asst. to the President, Operative Dept.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
H. L. MAGEE, ... *General Superintendent.*
D. B. HOWARD, ... *Auditor.*
S. B. KNIGHT, ... *General Freight Agent.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
C. B. ADAMS, ... *Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
H. H. WELLMAN, ... *Purchasing Agent and General Storekeeper.*
W. S. NEWHALL, ... *Chief Engineer.*
J. B. BARNES, ... *Supt. Motive Power and Machinery.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
Dr. H. W. MOREHOUSE, . . *Chief Surgeon.*
R. J. WOODS, ... *Fuel Agent.*

DIRECTORS.

GEO. J. GOULD,
O. D. ASHLEY,
EDGAR T. WELLES,
HENRY K. McHARG,
CYRUS J. LAWRENCE,
JAMES HAZEN HYDE,
S. C. REYNOLDS,
EDWIN GOULD,
THOS. H. HUBBARD,
JOHN T. TERRY,
RUSSELL SAGE,
WINSLOW S. PIERCE,
JOSEPH RAMSEY, Jr.

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FIFTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30, 1904.

ST. LOUIS, MO., October 1st, 1904.

TO THE BOARD OF DIRECTORS,
THE WABASH RAILROAD COMPANY,
MR. GEORGE J. GOULD, *Chairman.*

DEAR SIR:—

The report for the year ending June 30th, 1904, which I have the honor of submitting herewith, while showing a large increase in gross earnings, $1,882,797.69 (this being the seventh year of continuous increases, 1904 showing an

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increase of $11,496,839.27 over 1897), also shows that this increase in earnings was offset by a corresponding increase in expenses.

The conditions affecting operating expenses during the past year were, to a certain extent, unusual; in fact, abnormal.

A. In April, 1903, wages of trainmen on the Western Division were advanced twelve and fifteen per cent and promises made which resulted in a similar advance on the Middle Division, these two advances covering two-thirds of the System. In addition, wages of engineers and firemen, shopmen and other classes of labor, were more or less advanced. The total increase in expenses due to these changes in rates of pay and rules of service aggregated about $400,000.00.

B. During January, February and March and part of April we had the severest winter, with lowest temperature and worst storms, all over the System, than ever known in the history of the Company, not only reducing the earnings but largely increasing the expenses of operation.

C. The cost of fuel for the first ten months of the year was higher than ever before, being nearly 30 per cent more than the previous year.

D. The work of preparing the line for the World's Fair traffic was pushed vigorously and added largely to the expense account. The detailed statements of expenses will clearly show what was done in this line.

During the past four years the reduction of grades and improvement of the line between St. Louis and Chicago

have been under way and are now practically completed, so that trains northbound can be made up for a ruling grade of 21 feet per mile instead of from 50 to 60 feet per mile. The cost of the work to date has been $617,300.00 and the results as follows:

Curves removed	18
Degrees of curvature removed	388° 52′
Length of curved line removed	2½ miles.
Mileage of grades changed	31.3 miles.
Line shortened	½ mile.
Highway grade crossings removed	9
Railroad grade crossings removed	1
Train loads increased from an average of 1100 tons to	1850 tons.

During the year, in order to comply with the requirements of the statutes of some of the States through which our System passes, it was necessary to increase the capital stock of the Company to such amount as would make it equal the bonds authorized, and the stockholders, on March 22d, 1904, added $50,000,000.00 to the Common Stock.

THE WABASH PITTSBURGH TERMINAL RAILWAY COMPANY.

In 1901 the stockholders of the Company authorized the officers of the Company to enter into certain trackage and traffic agreements with The Wheeling & Lake Erie Railroad Company and The Pittsburgh, Carnegie & Western Railroad Company to secure the construction of a line of railroad from a point on The Wheeling & Lake Erie Railroad near Jewett, Ohio, to Pittsburgh, with necessary terminals and connecting railways in Pittsburgh, with a close traffic alliance between the three contracting railroads, so as to practically make them one system. This agreement was afterwards modified and the amended agreement provided that the

Wabash and Wheeling & Lake Erie Companies should, if it became necessary so to do, pay 25 per cent (or so much thereof as might be required to meet any deficit on the bonds of The Wabash Pittsburgh Terminal Railway Company) of the gross earnings of either Company from traffic which they received from or delivered to The Wabash Pittsburgh Terminal Railway. This condition puts no burden on either Company, as they will not be required to pay anything unless they have increased earnings on account of the Wabash Pittsburgh Terminal Railway lines.

The Pittsburgh, Carnegie & Western Railroad Company, through consolidation with the Cross Creek Railroad in West Virginia and the Pittsburgh, Toledo & Western Railroad in Ohio, became The Wabash Pittsburgh Terminal Railway Company, and the latter Company has carried out or is carrying out all the obligations assumed by the Pittsburgh, Carnegie & Western Railroad Company.

On July 2d, 1904, the line was opened for through passenger traffic and through train service between St. Louis, Chicago and Pittsburgh by Wabash trains.

The Wabash Pittsburgh Terminal Railway Company also purchased a controlling stock interest in The Wheeling & Lake Erie Railroad, thus owning and controlling some 550 miles of railway lines, reaching from Pittsburgh to Toledo, Cleveland, Wheeling, Steubenville and Zanesville, the greatest freight tonnage territory in the world, the Pittsburgh district alone last year consuming and shipping over 86,000,000 tons of coal, coke, ores, iron, steel, manufactures and merchandise.

A proposition was submitted to your Board for the purchase by the Wabash Company of all the stock of The Wabash Pittsburgh Terminal Railway Company ($10,000,000.00), by the issuance of $10,000,000.00 Wabash common stock in exchange therefor. As the ownership of the stock of The Wabash Pittsburgh Terminal Railway Company carried with it the controlling interest in The Wheeling & Lake Erie Railroad, your Board authorized the purchase, and the exchange of stocks was made.

Your Board, at the same time, authorized the purchase of $6,600,000.00 First Mortgage Bonds of The Wabash Pittsburgh Terminal Railway Company for $6,000,000.00 This purchase was made and paid for through the issuance of a three-year obligation, secured by the $6,600,000.00 of bonds as collateral.

It is confidently expected that the control of these properties and of the traffic secured to the Wabash thereby will add largely to the revenues of the Company.

The outlook for the fiscal year ending June 30th, 1905, is excellent. Our passenger traffic is enormous and will remain so until the end of the Exposition, November 30th, and the freight traffic, while below last year's (1903), is still above 1902, and I look for improvement in it before the end of the year. The gross earnings will exceed $24,000,000.00 for the year.

The condition of the property—tracks, roadbed, bridges, stations, rolling stock and motive power—has been greatly improved during the year. The extent of this work will be shown by the detailed statement herein of principal replacements and improvements.

STATISTICS.

The following statement gives in condensed form the revenues, expenses, charges, etc., for the fiscal year as compared with the previous year:

	1903—1904.	1902—1903.
Total revenue of the Company from all sources was	$23,513,332 70	$21,608,756 88
Expenses of Operation, including taxes, track rentals and miscellaneous	19,250,873 18	17,350,805 40
	$ 4,262,459 52	$ 4,257,951 48
Interest on Bonds	3,092,422 72	3,034,512 60
Net Revenue	$ 1,170,036 80	$ 1,223,438 88
Additions to Property	591,446 10	253,132 15
	$ 578,590 70	$ 970,306 73
Sinking Fund Charges, account new equipment; steamers	$ 459,299 54	$ 564,156 65
	$ 119,291 16	$ 406,150 08
Dividend on Debenture "A" Bonds	105,000 00	210,000 00
Surplus to Profit & Loss Account	$ 14,291 16	$ 196,150 08

The growth of the traffic and revenues since 1897 is shown by the following comparisons:

Year.	Ton Miles.	Passenger Miles.	Gross Earn'ngs.
1897	1,149,989,024	135,963,860	$11,526,787 00
1898	1,365,693,174	180,359,167	13,207,862 00
1899	1,666,830,054	210,592,939	14,393,974 00
1900	1,902,881,278	233,848,065	16,440,990 00
1901	1,978,952,453	264,268,214	17,554,465 00
1902	1,947,404,142	322,708,490	19,053,493 00
1903	2,198,073,383	330,111,942	21,140,829 00
1904	2,175,680,058	389,283,834	23,023,626 00

The increases in different classes of earnings were:

	1897.	1904.	Per cent Increase
Freight	$ 7,604,769 95	$14,064,656 81	84.9%
Passenger	2,837,973 54	7,045,525 29	148.3%
Mails	542,635 09	830,928 23	53.1%
Express	284,706 69	533,703 85	87.4%
Miscellaneous	256,702 09	548,812 45	113.8%
Total	$11,526,787 36	$23,023,626 63	99.8%

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REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	1903-1904.	1902-1903.	Increase.
Gross Earnings	$23,023,626 63	$21,140,828 94	$1,882,797 69
Operating Expenses	17,683,508 85	15,815,662 32	1,867,846 53
Net Earnings	$5,340,117 78	$5,325,166 62	$ 14,951 16
Per Cent. of Oper. Exp. to Earnings.	76.81	74.81	2.00
Gross Earnings per mile	9,148 34	8,513 20	635 14
Operating Expenses per mile	7,026 47	6,368 81	657 66
Net Earnings per mile	2,121 87	2,144 39	22.52*

EARNINGS.

	Per Cent.	1903-1904.	Per Cent.	1902-1903.	Increase.
Freight	61.09	$14,064,656 81	63.04	$13,327,478 75	$ 737,178 06
Passenger	30.60	7,045,525 29	29.02	6,135,500 85	910,024 44
Mails	3.61	830,928 22	3.39	716,200 09	114,728 14
Express	2.32	533,703 85	2.20	464,645 19	69,058 66
Miscellaneous	2.38	548,812 45	2.35	497,004 06	51,808 39
Total		$23,023,626 63		$21,140,828 94	$1,882,797 69

EXPENSES.

	Per Cent.	1903-1904.	Per Cent.	1902-1903.	Increase.
Maintenance of Way and Structures	20.52	$ 3,681,608 00	23.40	$ 3,700,961 89	$ 19,353 89*
Maintenance of Equipment	19.64	3,473,001 68	19.69	3,114,663 95	358,337 73
Conducting Transportation	56.43	9,978,628 79	53.82	8,511,277 61	1,467,351 18
General Expenses	3.11	550,270 38	3.09	488,759 07	61,511 31
Total		$17,683,508 85		$15,815,662 32	$1,867,846 53

*Decrease.

ANALYSIS OF OPERATION.

Operating expenses increased $1,867,846.53 (11.81 per cent), of this amount $1,467,351.18 was in Conducting Transportation (or 78.55 per cent of the total increase), an increase of 17.24 per cent over 1903.

The principal items of increase in Conducting Transportation were: Fuel for locomotives, $456,427.23; engine; and round house men, $215,513.37; train men, $148,496.13; station service, $108,671 07; car mileage balance, $150,239.07; switchmen, watchmen, etc., $112,731.71.

The increase of $1,882,797.69 in earnings is divided as follows:

Wabash, west of Detroit, Increase	$1,817,329 90
Buffalo Division, Increase	65,467 79

The increase of $1,867,846.53 in expenses is divided as follows:

Wabash, west of Detroit, Increase	$1,956,628 23
Buffalo Division, Decrease	88,781 70

TRAFFIC.

FREIGHT.

The freight traffic statistics show a decrease of 22,393,325 (1.02 per cent), in "tons revenue freight carried one mile," at an average rate of 0.6464 cents per mile, an increase of 0.0401 cents (6.61 per cent), at a cost per ton mile of 0.5400 cents, an increase of 0.0708 cents (15.09 per cent), leaving a

net profit of 0.1064 cents as compared with 0.1371 cents last year, a decrease of 0.0307 cents (22.39 per cent).

The average revenue per freight train mile was $1.8510; expense per mile $1.5463, and net earnings, $0.3047 against $1.8297, $1.4159 and $0.4138 respectively last year.

The total freight train mileage was 7,598,295, an increase of 314,137, or 4.31 per cent.

The loaded cars per train decreased 0.16 cars; the load per car decreased 0.68 tons and the revenue train load was 286.34 tons against 301.76 tons last year, a decrease of 15.42 tons 5.11 per cent. For the years 1895 to 1904 the revenue train load and load per car, have been as follows:

Year.	Train Load.	Car Load.
1895	176.29 tons.	13.37 tons.
1896	193.04 "	13.80 "
1897	212.87 "	14.00 "
1898	216.55 "	14.16 "
1899	234.72 "	14.83 "
1900	268.94 "	16.07 "
1901	283.47 "	16.67 "
1902	284.66 "	16.69 "
1903	301.76 "	17.82 "
1904	286.34 "	17.14 "

The actual train load, including company freight, was 315.94 tons, against 331.29 tons last year.

The increase in train load over 1895 has been 110.05 tons (62.42 per cent), and car load has increased 3.77 tons (28.20 per cent).

In the preparation of train statistics, all loaded cars, whether "revenue," freight or "company" freight, are included in "loaded cars per train."

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With a decrease of 1.02 per cent in "services rendered" *i. e.*, "tons carried one mile," there was an increase in freight revenue of $737,178.06 (5.53 per cent), with an increase of $1,435,666.58 (13.92 per cent), in expenses of freight traffic. While the increase in freight tonnage was 7,481 tons (0.08 per cent), the increase in freight train service was 4.31 per cent.

PASSENGER.

"Passengers carried one mile" increased 39,171,892 (11.87 per cent), and in revenue $910,024.44 (14.83 per cent). There was an increase of $43,915.70 on the Buffalo Division, and an increase of $866,108.74 on the Wabash proper.

The rate per passenger per mile was 1.908 cents, an increase of 0.049 cents, and expenses per passenger per mile 1.607 cents, a decrease of 0.060 cents, leaving 0.301 cents per mile net, as against 0.192 cents last year, a gain of 56.77 per cent.

Train earnings per mile were $1.0592, a gain of 9.08 cents; the expenses were 73.26 cents per train mile, an increase of 1.94 cents, and net earnings per train mile were 32.66 cents against 25.52 cents in 1903.

The "passengers carried one mile" increased 11.87 per cent, while the cost of passenger train service increased 7.85 per cent, and the actual number of passengers carried was 6,183,474, an increase of 234,561 (3.94 per cent).

Statistics of freight and passenger traffic show the earnings divided between the two classes of traffic as follows:

Freight train gross earnings.....	$14,064,656 81	(62.11%)
Passenger train gross earnings...	8,580,184 02	(37.89%)
Freight train net earnings	$2,315,574 81	(46.67%)
Passenger train net earnings.....	2,645,757 17	(53.33%)

Passenger train earnings include mail, express, etc.

OPERATION AND MAINTENANCE.

Expenses of operation and maintenance increased as follows:

	Buffalo Division.	Wabash Proper.	Total.
Maintenance of Way and Structures	$233,522 54*	$ 214,168 85	$ 19,353 69*
Maintenance of Equipment	79,926 06	278,411 67	358,337 73
Conducting Transportat'n	63,643 62	1,403,767 56	1,467,361 18
General Expenses	1,171 16	60,340 15	61,511 31
Total	$ 88,781 70*	$1,956,628 23	$1,867,846 53

*Decrease.

The principal items of increase were as follows:

Repairs of Roadway		$277,704 81
Renewals of Cross Ties		78,796 10
Repairs and Renewals of Locomotives		171,638 55
Repairs and Renewals of Pass. Cars		60,816 01
Repairs and Renewals of Freight Cars		157,316 54
Passenger Train Service—train and engine men, fuel and water for cars and locomotives—train supplies—oil, waste and other supplies for locomotives, etc., (16.17%)		261,508 97
Freight Train Service—train and engine men, fuel and water for cars and locomotives—train supplies—oil, waste and other supplies for locomotives, etc., (22.63%)		625,204 10
Station Service—		
Passenger (7.87%)	$ 18,493 30	
Freight (11.02%)	108,840 25	127,333 55

The decrease in Maintenance of Way and Structures on the Buffalo Division was owing to the heavy expenditures on bridges during the year 1902-1903.

Maintenance of Way and Structures shows a decrease of $19,353.69 for the entire system, but the amount expended

in repairs to roadway shows an increase of $277,704.81, and the amount expended for cross ties shows an increase of $78,796.10, and repairs to buildings and fixtures an increase of $70,670.74.

MAINTENANCE OF WAY.

NEW STEEL RAIL LAID.

	1903-1904.	1902-1903.	Increase.	Decrease.
No. Tons 80-lb. New Rail	34,488.0	28,085.0	6,403.0	.....
Miles New Steel Rail Laid	275.0	223.0	52.0	.....

NOTE.—In the above statement is included 3730 tons 29.6 miles of new 80-lb. rail laid on the Buffalo Division between Niagara Falls and Windsor, the Wabash paying its proportion on a wheelage basis.

MISCELLANEOUS WORK.

	1903-1904.	1902-1903.	Increase.	Decrease.
No. Cross-ties laid, Main Track	870,521	596,751	273,770	.....
" Cross-ties laid, Side Track	167,652	139,274	28,378	.....
" Sets Switch-ties put in	483	493	.....	10
" Miles Track ballasted (stone, gravel, burnt clay, etc.)	198.9	133.8	65.1	.....
" Miles Fence Rebuilt.	160.4	284.3	.....	123.9
" Miles Old Fence Repaired	149.1	140.4	8.7	.....
" Miles New Fence Built	99.0	.....	99.0	.....
" Miles Ditching	48.6	113.0	.....	64.4
" Miles Sidings and Spurs Built	55.7	33.4	22.3	.....

NOTE.—Included in the above are 66,509 cross ties, 29 sets switch ties, 22.9 miles of track ballasted, 20.5 miles of fence rebuilt, and 6.9 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; and 9,703 cross-ties and 4 sets switch-ties put in on the Erie Section of the Buffalo Division.

NUMBER OF FEET OF TRESTLE SHORTENED, REPLACED WITH IRON PIPE, FILLED, ETC., DURING THE YEAR ENDING JUNE 30, 1904.

	Shortened.	Replaced with Iron Pipe.	Filled and Abandoned.	Cost.
Buffalo Division	.....	418 feet.	192 feet.	$ 5,807 33
Detroit Division	.....	24 "	680 "	27,389 97
Eastern Division	494 feet.	174 "	146 "	4,190 01
Middle Division	85 "	416 "	4,491 "	11,481 60
Western Division	233 "	561 "	.....	3,281 08
St. Louis Division	241 "	643 "	3,070 "	2,991 99
Total	1,053 feet.	2,236 feet.	8,579 feet.	$55,141 98

TOTAL DECREASE, IN LINEAL FEET, OF TRESTLE WORK.

	1903-1904.	1902-1903.
Buffalo Division	610	.....
Detroit Division	704	776
Eastern Division	814	297
Middle Division	4,992	1,129
Western Division	794	.....
St. Louis Division	3,954	2,098
Total	11,868	4,300

EXTRAORDINARY REPAIRS AND RENEWALS, IMPROVEMENTS AND ADDITIONS.

REPAIRS AND RENEWALS.

Bridges, Wooden—		
Rebuilt 75 trestles at various points	$ 50,462	69
Harvey, Ia.—Bridge No. 2891, renewed Howe truss; two spans	11,169	37
Total	$ 61,632	06
Wharfs, Docks and Landings—		
Detroit, Mich.—Renewal of dock along 12th street freight house	$ 4,340	94
Passenger and Freight Stations, Shops and other Buildings, etc.—		
Detroit, Mich.—Renewed driveway 12th street freight house	1,189	00
Delray, Mich.—Rebuilt sand house	380	00
Delray, Mich.—Water connection	345	00
Holloway, Mich.—Rebuilt combination depot	885	00
Adrian, Mich.—Paving around freight house	1,132	00
Adrian, Mich.—Renewed passenger platform with brick	685	50
Montpelier, O.—Changing old freight house into restaurant, baggage and express rooms	523	00
Montpelier, O.—Moving freight house from Millersburg and converting same into freight house and office building	103	00
Montpelier, O.—Renewing engine terminal	8,156	00
Ashley, Ind.—Rebuilt track scales	231	00
Toledo, O.—Rebuilt tower at Broadway	267	00
Toledo, O.—Renewed roof and skylight on coach shop	1,538	00
Homewood, O.—Renewed depot	352	00
Napoleon, O.—Extension of freight house	841	00
Napoleon, O.—Raised passenger depot, repaired same and rebuilt platform	985	00
Okolona, O.—Rebuilt platform	370	00
Jewell, O.—Rebuilt platform	176	00
Emmett, O.—Rebuilt depot and platform	608	00
Ft. Wayne, Ind.—Enlarged three engine house doors	263	00
LaGro, Ind.—Remodeled depot and platform	993	00
Rich Valley, Ind.—Rebuilt depot and platform	120	00
Peru, Ind.—Extension and improvement of engine house	12,185	14
Peru, Ind.—Renewed 60 ft. turn table with 70 ft. 200 ton deck table and masonry foundations	4,387	75
Peru, Ind.—Renewed elevated sand house	485	20
Peru, Ind.—Sidewalk from engine house to Broadway	331	35
Lafayette, Ind.—60 ft. deck turn table from Peru and masonry foundation	1,961	00
Danville Jct., Ill.—Renewed concrete platform and sidewalk	1,100	00
Danville, Ill.—Replanked Main street crossing	428	00
Tilton, Ill.—Enlarged five stalls in engine house	660	00
Chicago, Ill.—Renewed 60 ft. turntable at 41st street	395	00
Bluffs, Ill.—Renewed round house roof	207	00
Bluffs, Ill.—Renewed station platform in brick	506	00
Mayaville, Ill.—Rebuilt depot and platform	1,711	60
Springfield, Ill.—Rebuilt ice house	737	00
Forrest, Ill.—Renewed heater boiler at station	521	00

Forrest, Ill.—Raised depot and renewed platform in concrete	$ 3,940 21
Forrest, Ill.—Renewed turntable with 70 ft. 200 ton table and foundations	5,833 75
Quincy, Ill.—Renewed heater boiler at freight house	367 00
Quincy, Ill.—Renewed round house roof	160 00
Gibson, Ill.—Renewed station platform in concrete	855 00
Springfield, Ill.—Renewed Motive Power Dept's office roof	175 00
Springfield, Ill.—Renewed cinder pit	392 00
Decatur, Ill.—Renewed eave troughing on passenger station	348 00
Decatur, Ill.—Renewed ice house roof	413 00
Decatur, Ill.—Renewed boiler washing pump at round house	525 00
Decatur, Ill.—Renewed cinder pit at round house	415 00
Decatur, Ill.—Lengthened and lined cinder pit	682 18
Bay windows added on the following depots:—Galesville, Ill., Foosland, Ill., Garber, Ill., Strawn, Ill., and Osman, Ill	350 00
East St. Louis, Ill.—Rebuilding outbound freight house	25,865 00
Hannibal, Mo.—Improving depot building and shed	1,567 00
Luther, Mo.—Renewing yard office, account of fire	1,500 00
Luther, Mo.—Renewed cinder pit	615 00
Luther, Mo.—Renewed steam heat in round house	350 00
Heights, Mo.—Addition to depot	135 00
Ferguson, Mo.—Renewed ice house	255 00
Ferguson, Mo.—Renewed sidewalk	206 00
Gilmore, Mo.—Rebuilt depot and platform, account of fire	1,251 86
Wellsville, Mo.—Rebuilt depot and platform, account of fire	1,504 91
Thompson, Mo.—Rebuilt depot and platform, account of fire	1,337 00
Columbia, Mo.—Renewed stock yards	265 00
Moberly, Mo.—Rebuilt end wall of round house	1,068 00
Moberly, Mo.—Renewed cinder pit	792 00
Moberly, Mo.—Renewed blast furnaces in blacksmith shop and brass foundry	176 00
Moberly, Mo.—Renewed steam heat at round house	770 00
Moberly, Mo.—Renewed machinery foundation	325 00
Moberly, Mo.—Renewed scales	595 00
Moberly, Mo.—Renewed car shop floor	294 00
Macon, Mo.—Built addition to freight house	442 00
Salisbury, Mo.—Renewed depot and platform, account of fire	2,351 00
Brunswick, Mo.—Renewed scales	466 00
Kansas City, Mo.—On account of flood, rebuilt freight house with brick	3,114 00
Kansas City, Mo.—Steam heat	310 00
McFall, Mo.—Brick floor	640 00
McFall, Mo.—Sand house	205 00
McFall, Mo.—Moving depot and platform	397 00
Elmo, Mo.—Renewed depot	1,542 00
Elmo, Mo.—Renewed stockyards	178 00
Burlington Junction, Mo.—Built addition to hotel	3,277 00
Blanchard, Ia.—Moving depot and platform	314 00
Shenandoah, Ia.—Renewed depot and platform, account of fire	3,600 00
Total	$115,892 45

Water and Fuel Stations.—

Belleville, Mich.—Rebuilding water tank	$	214 19
Napoleon, O.—Rebuilt water plant		900 00
Ft. Wayne, Ind.—Rebuilt water tank at shops and new water mains		5,000 00
Peru, Ind.—Relaying water line in engine house		1,464 77
Marley, Ill.—Six in. well casing		216 00
Manhattan, Ill.—Six in. well casing		388 00
Taylorville, Ill.—Two ten in. well casings		883 00
Chicago, Ill., 41st street—Rebuilt roof over coal chute		500 00
Stanberry, Mo.—Built addition to sand house		185 00
Total	$	9,750 96

Renewals of tracks, 23d street to Page avenue, St. Louis, Mo.—

Two main tracks relaid with 80 lb. rail from 23d street to Union avenue	$	32,711 64
One main track from Union avenue to Page avenue, relaid with 80 lb. rail		17,106 90
Total	$	49,818 54

IMPROVEMENTS.

Steel Bridges (New) to Replace Wooden Bridges—

Whittaker, Mich.—Bridge No. 779, renewed pile trestle with masonry and through girder (not completed)	$	2,697 76
Cone, Mich.—Bridge No. 813, renewed pile trestle with masonry and deck plate girder (not completed)		254 18
Britton, Mich.—Bridge No. 821, renewed pile trestle with masonry and through girder (not completed)		3,118 68
Britton, Mich.—Bridge No. 823, renewed pile trestle with masonry and deck plate girder (not completed)		42 00
Montpelier, O.—Bridge No. 1357, renewed pile trestle with masonry and deck plate girder (not completed)		1,455 41
Hamilton, Ind.—Bridge No. 1383, renewed pile trestle with masonry and deck plate girder (not completed)		4,568 79
New Haven, Ind.—Bridge No. 317, renewed pile trestle with masonry and deck girder (not completed)		2,091 12
Ft. Wayne, Ind.—Bridge No. 323, renewed pile trestle with masonry and deck girder (not completed)		1,336 44
Roanoke, Ind.—Bridge No. 351, pile trestle renewed with masonry and through girders (not completed)		6,885 33
Roanoke, Ind.—Bridge No. 357, pile trestle renewed with masonry and through girder (not completed)		1,061 98
Williamsport, Ind.—Bridge No. 683, replaced pile trestle with 65 ft. girder and masonry (not completed)		6,155 72
Danville, Ill.—Bridge No. 745, pile trestle replaced with deck girder and masonry over Seminary Street, (not completed)		12,047 49
Okolona, O.—Bridge No. 845, pile trestle replaced with concrete abutments and girder (not completed)		613 85
Okolona, O.—Bridge No. 848, pile trestle replaced with concrete abutments and girder (not completed)		1,328 49
Horse Creek, Ill.—Bridge No. 1149, renewed pile trestle with through steel span and masonry		430 85

Alpine, Ill.—Bridge No. 1057, renewed pile trestle with masonry and deck span	$1,044 23
Sibley, Ill.—Bridge No. 1285, renewed pile trestle with masonry and solid floor girder	2,636 62
Campus, Ill.—Bridge No. 1195, pile trestle reconstructed with masonry and girder	3,632 94
Wing, Ill.—Bridge No. 1236, renewed pile trestle with masonry pier and two through spans	24,902 97
Honey Bend, Ill,—Bridge No. 790, renewed pile trestle with concrete abutments and solid floor deck span	832 92
Stonington, Ill.—Bridge No. 730, renewed pile trestle with concrete abutments and solid floor deck span	2,097 69
Sadorus, Ill.—Bridge No. 63, renewed pile trestle with masonry and through girders with heavy center	8,483 79
Carpenter, Ill.—Bridge No. 870, renewed frame trestle with masonry and through girder	5,398 20
Carpenter, Ill.—Bridge No, 871, renewed pile trestle with masonry and through girder	3,716 89
Wing, Ill.—Bridge No. 1240, renewed pile trestle with masonry and deck span (old material)	904 64
Salisbury, Mo.—Bridge No. 449, renewed Howe truss bridge with steel truss	9,883 16
Keytesville, Mo.—Bridge No. 471, renewed Howe truss bridge with steel truss	10,735 47
Miami, Mo.—Bridge No. 516, renewed Howe truss bridge with iron truss bridge	13,643 74
South Liberty, Mo.—Bridge No. 604, renewed Howe truss bridge with 65 ft. iron girder	2,836 63
Maryville, Mo.—Bridge No. 1062, renewed Howe truss bridge across street with 75 ft. iron girder	7,842 04
Camden, Mo.—Bridge No. 557, renewed Howe truss bridge with 63 ft. iron girder	2,779 22
Randolph, Mo.—Bridge No. 633, renewed Howe truss bridge with 60 ft. girder	2,263 80
Randolph, Mo.—Bridge No. 636, renewed low truss bridge with 55 ft. iron girder	2,046 74
Camden, Mo.—Bridge No. 567, renewed low truss bridge with 35 ft. iron girder	5,249 33
Total	$155,019 11
Trestles Shortened, Replaced with Iron Pipe, Stone Arches, Filled, etc	$ 68,221 83
Steel Bridges Repaired and Strengthened—	
Danville, Ill.—Bridge No. 747, renewed west approach over Vermillion River	1,654 40
Williamsport, Ind.—Bridge No. 683, built retaining wall of masonry for protection of highway under bridge	245 00
Meredosia, Ill.—Bridge No. 282, renewed deck	1,077 81
Riverton, Ill.—Bridge No. 173, repaired through iron truss span	1,135 65
St. Charles, Mo.—Bridge No. 59, trussing stringers and connecting columns in approaches	11,079 27
St. Charles, Mo.—Bridge No. 59, putting in new girders over public streets and putting in new capstones	8,897 78
Gilmore, Mo.—Bridge No. 116, two girders added	3,107 43
Total	$ 27,197 32

New Steel Bridges to Replace Old Steel Bridges—

Logansport, Ind.—Bridge No. 494, over street, replaced with heavy girder and solid floor	$ 2,523 86
Logansport, Ind.—Bridge No. 497, replaced through iron truss bridge over Wabash River with heavy through steel truss, new abutments and piers	1,000 00
Total	$ 3,523 86

Improving Line and Reducing Grades—

Chicago Division—Gibson, Lodge, Mansfield, Garber and Sibley—Changing grades and alignment	$ 15,045 54
Ritchie, Ill.—Changing grades and alignment	76,321 42
Monticello, Ill.—Changing grades and alignment	71,596 57
Bement, Ill.—Changing grades and alignment	10,829 66
Carpenter, Ill.—Changing grades and alignment	48,097 94
Edwardsville, Ill.—Changing grades and alignment	34,551 24
Total	$256,442 37

For Protection Against Missouri and Des Moines Rivers—

At Randolph, De Witt and Harvey	$ 57,756 95

ADDITIONS.

Second, Third, Yard, Side and Spur Tracks to Various Industries—

Buffalo Division	6.9 miles	$ 83,196 00
Detroit Division	7.0 miles	47,320 50
Eastern Division	4.0 miles	22,819 61
Middle Division	24.0 miles	106,962 12
Chicago Terminal (Landers Yard) Grading Only	..... miles	3,910 15
E. St. Louis Terminal (Brooklyn Yard) Grading Only	..... miles	10,912 17
St. Louis Terminal Facilities:		
23rd St. to Grand Ave., Yard Tracks	1.46 miles	10,402 53
Compton Ave. to Euclid Ave., Third Track	1.85 miles	9,434 99
Vandeventer Ave., Pass. Eng. Trml. Tracks	1.47 miles	7,000 00
Boyle Ave., Pass. Car Storage Yard	1.68 miles	4,170 17
Boyle Ave., Frt. Car Storage Yard	1.44 miles	10,843 66
Olive Road, New Tracks	0.6 miles	2,517 44
Page Ave., Two Sidings	0.95 miles	9,915 95
St. Louis Division	3.5 miles	22,585 38
Western Division	0.9 miles	4,060 64
Second Track—Delray to Oakwood	1.75 miles	15,844 12
Second Track—Ashburn to Banks	6.30 miles	76,982 34
Second Track—Litchfield to Worden	8.10 miles	100,874 36
Second Track—Poag to Granite City	9.60 miles	59,798 46
Second Track—St. Louis, Union Ave to Page Ave	2.55 miles	11,350 38
Total	84.05 miles	$620,900 95

Interlocking Plants, Wabash Proportion—

Crocker, Ind—Rebuilt interlocking tower E. J. & E. crossing	$ 1,057 23
Reddick, Ill.—Interlocking plant erected, Ill. Cent. Railway crossing	1,311 12
Lotus, Ill—Interlocking plant erected. Ill. Cent. Railway crossing	1,342 44
St. Louis, Mo.—Union Avenue. Interlocking plant erected, St. L., K. C. & C. connection.	4,879 35
St. Louis, Mo.—Forsythe Junction. Interlocking plant erected, St. L., K. C & C. Railway crossing	5,037 97
St. Louis, Mo.—Page Avenue. Interlocking plant erected, Terminal R. R. Association connection	5,552 07
Total	$ 19,180 18

New Buildings, or Additions to Passenger and Freight Stations, Shops and other Buildings, etc.—

Delray, Mich.—Machinery for turning drawbridge (not completed)	$ 550 59
Montpelier, O.—New engine terminal (not completed)	685 21
Ashley, Ind.—New cinder pit (not completed)	544 59
Eddy, Ind.—New block tower	308 02
Stoney Creek, Ind.—New block tower	317 55
New Paris, Ind.—New stock scales	231 99
N. Liberty, Ind.—New turntable (not completed)	315 00
N. Liberty, Ind.—New water plant (not completed)	5,861 42
Morris. Ind.—New block tower	321 07
Calumet, Ind.—New block tower	367 52
Tolleston, Ind.—New block tower	329 87
Clark, Sw., Ind.—New block tower	359 34
Ft. Wayne, Ind.—New brick shop building	1,001 91
Ft. Wayne, Ind.—Addition to M. M. office	349 22
Ft. Wayne, Ind.—New oil storage cellars	618 33
Ft. Wayne, Ind.—New foundation for air compressor	253 76
Spencerville, Ind.—New stock scales	234 53
St. Joe, Ind.—New stock scales	222 68
Neapolis, O.—New No. 4 depot and platform	590 59
Defiance, O.—Standpipe and water main	1,521 04
Rich Valley, Ind.—New water tank and standpipe (not completed)	318 00
Liberty Center, O.—Extension to depot	115 92
Jewell, O.—Extension to depot	340 16
Knoxdale, Ind.—New No. 4 depot and platform	673 11
Gar Creek, Ind.—New No. 4 depot and platform	603 66
Ashwood, Ind.—New block tower	322 58
Peru, Ind.—Extension of baggage room for lunch room and express office	1,138 44
Peru, Ind.—New water plant, Little Pipe Creek	1,464 77
Peru, Ind.—Extension of passenger platform with brick	157 60
Peru, Ind.—New water plant for hot-water cisterns	1,070 29
Peru, Ind.—New General Foreman's office	647 24

Peru, Ind.—New casting platform (Machinery Dept).....	$ 1,307 57
Peru, Ind.—New office building (Car Dept).....	398 39
Peru, Ind.—New casting platform (M. of W.).....	956 25
Peru, Ind.—New scrap bins.....	461 97
Peru, Ind.—Extension of storeroom platform with shed roof.....	580 48
Peru, Ind.—New brick oil house (Store Dept.).....	517 44
Peru, Ind.—New vault for records (M. W. Dept.).....	313 58
Tilton, Ill.—New casting shed.....	14 80
Tilton, Ill.—New elevated sand house.....	768 47
Landers, Ill.—New telegraph office.....	259 55
Landers, Ill.—Test well.....	459 46
Chicago, Ill.—Two scales in freight house at Twelfth St...	319 85
Chicago, Ill.—Planking for team track.....	338 76
Chandler, Ill.—Connection with water main and laying pipe for car washing purposes.....	1,190 32
Decatur, Ill.—Addition to Y. M. C. A. building.....	4,216 50
Decatur, Ill.—New iron shed for Car Department.....	196 80
Decatur, Ill.—New heater boiler in Y. M. C. A. building..	440 00
Decatur, Ill.—Addition to stable of Wabash employes Hospital Association.....	99 63
Decatur, Ill.—New scrap iron shed.....	61 76
Decatur, Ill.—Built addition to passenger station.....	9,920 83
East St. Louis, Ill.—New scales in outbound freight house.....	736 99
East St. Louis, Ill.—Addition to car repair shops.....	571 86
Quincy, Ill.—New standard water tank.....	1,252 94
Quincy, Ill.—60 ft. turn table and foundations.....	1,074 10
Quincy, Ill.—New freight house and office building (completed).....	631 15
Quincy, Ill.—New 44 ft. 100 ton capacity track scale at new yard near round house.....	1,201 72
Quincy, Ill.—New passenger station (completed).....	10,407 24
Quincy, Ill.—Swinging beam derrick crane.....	1,683 03
Brooklyn, Ill.—New standard water tank.....	1,742 26
Brooklyn, Ill.—Brick floor in machine shop.....	450 95
Forrest, Ill.—Concrete masonry drop pit.....	645 81
Forrest, Ill.—Concrete floor in turntable.....	346 01
Forrest, Ill.—New block tower.....	398 27
Springfield, Ill.—Concrete masonry foundation for new air compressor in boiler house at blacksmith shop.....	222 39
Mt. Olive, Ill.—17 ft. extension to depot for freight room.	1,014 10
Bement, Ill.—New block tower.....	813 51
Brisbane, Ill.—New block tower.....	452 13
Markham, Ill.—New No. 4 depot.....	186 26
Lodge, Ill.—New stock pens and chute.....	329 04
Knights, Ill.—New block tower.....	751 34
St. Louis, Mo.—Second and North Market Street, new freight platform.....	876 19
St. Louis, Mo.—Collins Street, new platform.....	74 29
St. Louis, Mo.—Collins Street, new watch house.....	80 93
St. Louis, Mo.—North Market Street, new watch house...	46 59
St. Louis, Mo.—Boyle Avenue, new watch house.....	87 42
St. Louis, Mo.—Newstead Avenue, new watch house.....	89 20
Luther, Mo.—Paved back of stalls in round house.....	765 25

Sands, Mo.—New block tower	$ 373 06
Elm Point, Mo.—New block tower	377 41
Benton City, Mo.—New well at stock yards	97 55
Missouri City, Mo.—Built coal chutes and enlarged platform	1,500 00
Moulton, Ia.—Built reservoir, new pump house, new mains, and installed gasoline engine	3,355 00
St. Louis, Mo.—Engine terminal, Vandeventer Avenue, 13 stall round house, new 70 ft. turntable, coaling tipple, new water tank, new stand pipes, freight car repair shop, oil house, elevated sand house and two ash pits	9,896 75
St. Louis, Mo.—Electric block signal system, Twenty-third Street to Page Avenue, St. Louis (not completed)	9,723 04
St. Louis, Mo.—Olive Road, new station	2,000 00
Moberly, Mo.—New ice house and platform	1,549 79
Moberly, Mo.—New fuel oil house	711 73
Moberly, Mo.—Fuel oil house heating apparatus	221 24
Moberly, Mo.—New general foreman's office, machine shops	251 29
Moberly, Mo.—Foundation for cinder hoist	28 12
Moberly, Mo.—New air compresser, car shops	91 42
Moberly, Mo.—Shed and platform for track supplies and scrap	744 61
Macon, Mo.—New coal house	70 18
LaPlata, Mo.—New wells at stock yards and depot	226 76
Millard, Mo.—New wells at stock yards and depot	112 50
Huntsville, Mo.—New well at stock yard	177 72
Dalton, Mo.—New shed at stock yard	105 21
Brunswick, Mo.—New Train Master's office	1,353 54
Randolph, Mo.—New ice house	1,225 59
Harlem, Mo.—New turntable timber foundation	6,840 03
Total	$112,621 92

SUMMARY

OF

Extraordinary Repairs and Renewals, Improvements and Additions.

Repairs and Renewals.

Bridges, Wooden	$ 61,632 06
Wharves, Docks and Landings	4,340 94
Passenger and Freight Stations, Shops and other Buildings, etc	115,892 45
Water and Fuel Stations	9,750 96
Renewals of Tracks 23d St. to Page Ave., St. Louis, Mo...	49,818 54
Total	$241,434 95

Improvements.

Steel Bridges (New) to Replace Wooden Bridges	$155,019 11
Trestles Shortened, Replaced with Iron Pipe, Filled, Etc.	68,221 83
Steel Bridges, Repaired and Strengthened	27,197 32
New Steel Bridges to Replace Old Steel Bridges	3,523 86
Improving Line and Reducing Grades	256,442 37
Protection against Missouri and Des Moines Rivers	57,756 95
Total	$568,161 44

Additions.

Second Track	$264,849 64
Third, Yard, Side and Spur Tracks to Various Industries.	356,051 31
Interlocking Plants, Wabash Proportion	19,180 18
Passenger and Freight Stations, Shops and other Buildings, etc	112,621 92
Total	$752,703 05

Totals	Repairs and Renewals	$241,434 95
	Improvements	568,161 44
	Additions	752,703 05
Grand Total		$1,562,299 44

In addition to the above, the following amounts were expended on the Buffalo Division for extraordinary renewals and improvements, the Wabash paying its proportion of this sum on a wheelage basis:

Depots, Buildings, etc	$ 10,619 41
Additions to Shops, Round-houses, etc	45,551 56
Wood, Water and Coal Stations—New and Rebuilt	10,929 29
Docks and Slip Tables—Repairs and Renewals	773 90
Steel Bridges Repaired and Renewed	200,558 25
Trestles Replaced with Iron Pipe, Filled and Abandoned	8,410 74
Total	$276,843 15

OMAHA DIVISION.

Miscellaneous Work—

No. cross ties put in track	2,318
No. miles track ballasted with crushed rock	23.9
No. miles fence built	4.9

SUMMARY.

Miscellaneous Work	$ 84,898 13

RECAPITULATION.

Extraordinary Repairs and Renewals, Improvements and Additions	$1,562,299 44
Buffalo Division, Extraordinary Renewals and Improvements	276,843 15
Reconstruction Omaha Division	84,898 13
Grand Total	$1,924,040 72

TRANSPORTATION DEPARTMENT.

FREIGHT.	1904.	1903.	1902.
Total Loaded Cars moved for year	1,881,101	1,830,621	1,738,098
Total Empty Cars moved for year	803,553	793,889	776,474
Total Loaded and Empty Cars moved for year	2,684,654	2,624,510	2,514,572
Average Loaded Cars moved per day	5,153	5,015	4,725
Average Empty Cars moved per day	2,202	2,175	2,127
Average Loaded and Empty Cars moved per day	7,355	7,190	6,889
Total Freight Train Mileage for year	7,598,295	7,284,158	6,841,121
Average Freight Train Mileage per day	20,817	19,957	18,743
Total number Freight Trains for year	91,251	86,134	80,303
Average number Freight Trains per day	251	236	220
Average number Miles run per train, per day	83.3	84.6	85.2
Average number Loaded Cars moved per train mile	18.4	18.6	19.0
Average number Empty Cars moved per train mile	6.9	7.2	7.4
Average number Loaded and Empty Cars moved per train mile	25.4	25.8	26.4

FREIGHT—Cont.	1904.	1903.	1902.
Average number Cars handled per train mile, reduced to loaded car basis	22.6	22.9	23.5
Mileage made by all Loaded Cars for year	140,074,003	135,424,005	129,714,750
Mileage made by all Empty Cars for year	52,644,523	52,573,824	50,721,670
Grand Total of Car Mileage for year	192,718,526	187,997,829	180,436,420
Foreign Loaded Car Mileage for year	88,221,505	75,534,916	67,218,623
Foreign Empty Car Mileage for year	27,065,112	26,439,131	23,375,135
Total Foreign Car Mileage for year	115,286,617	101,974,047	90,593,76
Wabash Loaded Car Mileage for year	51,852,498	59,889,089	62,496,122
Wabash Empty Car Mileage for year	25,579,411	26,134,693	27,346,535
Total Wabash Car Mileage for year	77,431,909	86,023,782	89,842,657
Number of Wabash Cars in Service, exclusive of work trains	16,039	16,089	16,460
Average number of Wabash Cars on other roads per day,	7,624	7,834	7,734
Miles run per Car per day, Wabash Cars on Wabash R. R.	25.2	28.5	28.2
Average number of Foreign Cars on Wabash R. R. per day,	9,179	8,562	5,943
Average Miles run by Foreign Cars on Wabash R. R. per Car per day,	34.4	32.6	1.84

PASSENGER.	1904.	1903.	1902.
Total Passenger Train Mileage for year.....	8,100,348	7,715,162	7,691,050
Total number Passenger Trains run for year.....	86,625	82,549	81,990
Average number Passenger Trains run per day.....	237	226	225
Average number Miles per Train per day.....	93.5	93.5	93.8
Average number Miles by all Trains per day	22,193	21,138	21,105
Total Mileage Wabash, Baggage, Mail and Express Cars for year.....	8,746,068	8,691,319	8,425,552
Total Mileage Wabash, Coaches and Chair Cars for year.....	17,527,348	16,670,309	16,807,827
Total Mileage Sleeping Cars for year	9,883,877	9,234,387	9,188,022
Total Mileage Wabash Dining Cars for year.....	1,423,277	1,443,536	1,591,510
Total Mileage of all Cars for year.....	39,430,771	37,791,983	37,451,010
Average number of Cars of all classes handled for year	421,210	404,055	400,040
Average number of Cars of all classes handled per day	1,154	1,107	1,096
Average number of Cars per train.....	4.87	4.90	4.87

MOTIVE POWER DEPARTMENT.

The total amount expended for repairs of engines was $1,508,614.14, equal to $2,857.22 per engine for 528 engines, the average number on hand during the year.

The following statement will show the large amount of repair work done on engines, and the general character of the repairs.

MOTIVE POWER AND MACHINERY.

LOCOMOTIVE EQUIPMENT.

	1903-1904.	1902-1903.	Increase.	Decrease.
Locomotives on hand July 1st...	488	490	.....	2
Bought and built during year...	50	.....	50	.....
Sold and scrapped during year	10	2	8	.....
On hand June 30th.	528	488	40	.....
REPAIRS.				
Locomotives receiving general repairs.....	340	338	2	.....
Locomotives receiving heavy repairs.....	299	239	60	.....
Locomotives receiving light repairs.....	745	635	110	.....
New Driving and Truck Axles..	1048	906	142	.....
Boilers, general repairs.....	103	102	1	.....
Sets Air Brakes	1	10	.....	9
New Cylinders.....	55	48	7	.....
New Cabs.....	44	41	3	.....
Fire-boxes, new	12	17	.....	5
Fire-boxes repaired	546	433	113	.....
Sets Flues, new.....	47	51	.....	4
Sets Flues, reset.....	381	393	.....	12
New Engine Frames.....	3	25	.....	22
New Main and Side Rods.....	138	72	66	.....
Tires, new	424	442	.....	18
New Engine and Tender Trucks	70	67	3	.....
New Tanks.....	6	13	.....	7
New Tank Frames	50	48	2	.....
New Driving Wheel Centers.....	80	70	10	.....
New Engine, Truck and Tender Wheels	4,588	4,189	399	.....

NOTE.—The 528 engines in service June 30, 1904, had a Tractive Power of 9,887,387 lbs. June 30, 1896, there were 412 engines with Tractive Power of 6,334,915 lbs., showing an increase of 28% in number and an increase of 56% in power of engines.

DISTRIBUTION OF ENGINE MILEAGE.

	1903-1904.	1902-1903.	Increase.	Decrease.
Freight Train Mileage	7,598,295	7,284,158	314,137	
Frt. Double Headers, Pushers and Lights	513,216	572,928		59,712
Passenger Train Mileage	8,100,348	7,715,162	385,186	
Pass. Lights and Double Headers.	162,677	155,833	6,844	
Switching	3,904,205	3,436,104	468,101	
Miscellaneous, Work Trains, Pay Trains, etc.	988,223	647,478	340,745	
Total	21,266,964	19,811,663	1,455,301	

EXPENSE OF OPERATING LOCOMOTIVES.

	1903-1904.	1902-1903.	Increase.
Repairs { Labor	$ 829,903 42	$ 728,985 68	$100,917 74
Repairs { Material	678,710 72	607,747 94	70,962 78
Stores	72,812 49	64,601 73	8,210 76
Fuel (Coal and Wood)	1,860,990 52	1,404,563 29	456,427 23
Engineers and Firemen	1,360,584 03	1,220,182 19	140,401 84
Wiping and Dispatching	218,526 40	187,791 75	30,734 65
Total	$5,021,527 58	$4,213,872 58	$807,655 00

COST PER 100 MILES RUN.

	1903-1904.	1902-1903.	Increase.
For Repairs	$ 7 06	$ 6 70	$ 0 36
Stores	0 34	0 32	0 02
Fuel	8 35	6 77	1 58
Engineers and Firemen	6 36	6 12	0 24
Wiping and Dispatching	1 02	0 94	0 08
Total	$23 13	$20 85	$ 2 28

NOTE.—Engine mileage increased 7.3 per cent, while the amount paid engineers and firemen increased 11.5 per cent, showing an increase in the rate of pay of 3.8 per cent.

	1903-1904.	1902-1903.
Total engine mileage	21,378,516	19,946,946
Average mileage per engine in service for year	49,696	50,376
Average monthly mileage per engine in service	4,141	4,198
Tons of coal consumed	1,263,804	1,139,312
Average cost per ton of coal on tender (cost of handling included)	$1.48	$1 24
Average miles run to one ton of coal	16.9	17.6

NOTE.—Cost of stores and fuel includes work train expense.

Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

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FUEL DEPARTMENT.

	1903-1904.		1902-1903.		Increase.		Decrease.	
	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.
Coal for Passenger Engines	362,133	$ 816,065 87	342,418	$ 399,173 47	19,715	$116,912 40		
Coal for Freight Engines	649,259	907,844 41	601,127	701,929 02	47,132	205,415 39		
Coal for Switch and Work Engines	252,412	342,786 77	194,767	227,049 45	57,645	115,736 32		
Wood for Engines		18,758 99		21,435 42				$2,676 43
Total Coal and Wood for Engines	1,263,804	$1,784,975 04	1,139,312	$1,349,587 36	124,492	$435,387 68		
Average cost per ton		$1.412		$1.184		$0.228		
Average cost per ton for handling		.068		.060		.008		
Average cost per ton on Tender		1.480		1.244		.236		
Coal for Stationary Engines at Shops	52,398	$52,114 62	43,921	$ 51,282 85	8,477	$ 20,731 78		
Coal for Pumping Engines	13,275	7,078 54	11,836	4,486 52	1,440	2,592 02		
Coal for Stations, etc	9,996	13,421 55	9,594	11,288 51	401	2,133 04		
Coal for Ballast Burning	18,661	11,135 59	75,861	47,987 38			62,200	$36,801 79
Total Bituminous Coals	1,358,128	$1,868,735 35	1,280,494	$1,444,632 62	72,634	$424,102 73		
Average cost per ton, all Bituminous Coals		$1.366		$1.128		$0.23.		
Anthracite Coal	382	$ 2,045 75	1,414	$8,486 39			1,032	$6,440 64
Furnace Coal	2,396	4,658 05	2,613	4,783 98			217	125 93
Smithing Coal	1,979	7,402 86	1,951	7,041 58	28	$ 361 28		
Charcoal	23,363 bu.	2,379 27	17,919 bu.	2,107 07	5,444 bu.	772 20		
Coke	1,077	6,156 20	1,355	9,399 07			278	3,242 87
Fuel Oil	209,138 gal.	7,885 55	18,884 gal.	1,066 97	190,254 gal.	6,818 58		

Quality of Bituminous Coals	Lump.	Mine Run.	Slack.	Screenings.
Tons vouchered, 1902-1903	227,052	617,065	18,125	126,857
Tons vouchered, 1903-1904	438,343	670,310	10,229	56,061

CAR DEPARTMENT.

The expenses of this department, for the year ending June 30th, 1904, were, as last year, above the normal, on account of application of air brakes to our freight cars, vestibules, steam heat and gas to our passenger cars, and new freight and passenger equipment purchased.

The total on account of these items amounts to $1,526,272.87.

Wide vestibules were applied to one chair car, stationary vestibules to 2 baggage, 3 postal and 3 combination cars. Narrow vestibules were changed to wide on one chair car and one combination car, all at a cost of $5,201.05. Total cars now vestibuled, 296.

Steam heat was applied to one coach and two pay cars at a cost of $322.49, making a total of 434 cars so equipped.

We equipped 10 cars with Pintsch gas, at a cost of $2,757.62. making a total of 243 cars so equipped.

Air brakes were applied to 139 freight cars, at a cost of $5,754.83, making a total of 16,097 cars, or about 85% of all our freight cars, so equipped.

CAR EQUIPMENT.

	On hand July 1, 1903.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1904.	On hand July 1, 1899.
PASSENGER.					
Official	5	.....	.....	5	4
Pay	2	.....	.....	2	2
Dining	8	1	.....	9	5
Coach	151	16	2	165	108
Combination	56	.....	1	55	22
Chair	51	9	2	58	35
Parlor	6	.....	.....	6	.....
Café	5	2	1	6	.....
Baggage	73	1	4	70	64
Baggage and Mail	14	.....	1	13	15
Passenger and Mail	4	1	.....	5	.....
Baggage, Mail and Passenger	3	.....	.....	3	6
Postal	33	1	1	33	19
Pacific Express	5	.....	.....	5	5
Air-Brake Instruction	1	.....	.....	1	.....
Inspection	1	.....	.....	1	.....
Total Passenger	418	31	12	437	285
FREIGHT.					
Box	9,529	19	261	9,287	8,075
Stock	434	.....	22	412	1,471
Fruit	146	.....	.....	146	50
Coal, Flat and Rack	5,785	1518	128	7,175	3,439
Furniture	294	1	5	290	33
Refrigerator	100	.....	.....	100	100
Cinder and Stone (Dump)	188	18	4	202	129
Ballast and Convertible	131	1	.....	132	.....
Tool and Work	279	31	14	296	36
Derrick	11	1	.....	12	12
Pile Driver	6	.....	.....	6	7
Cable	8	.....	.....	8	1
Ice	8	.....	.....	8	4
Caboose Box	6	.....	.....	6	.....
Caboose Standard	246	14	8	252	212
Total Freight	17,171	1603	442	18,332	13,569
Total Passenger	418	31	12	437	285
Total Car Equipment	17,589	1634	454	18,769	13,854
Total Frt. Car Capacity, in Tons	502,290	.....	.....	554,160	235,074

CARS REPAIRED.

	Passenger.	Freight.	Total.
Cars Receiving Light Repairs	3,233	147,234	150,467
Cars Receiving Heavy Repairs	161	1,791	1,952
Cars Receiving General Repairs	73	520	593
Cars Rebuilt	13	320	333
Total	3,480	149,865	153,345
New Wheels Applied, Cast	1,593	12,797	14,390
New Wheels Applied, Steel	629		629
Total New Wheels Applied	2,222	12,797	15,019

CAR AND ENGINE TRUSTS.

June 30th, 1904, the car and engine trust notes outstanding were as follows:

St. Louis Trust Company, 30 Locomotives, Contract of November 1st, 1899, 4 notes outstanding (last one due November 1st, 1904), for $5,071.88 each	$ 20,287 52
American Car and Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 43 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	272,162 48
American Car and Foundry Company, 500 Coal Cars, Contract of March 9th, 1903, 50 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	318,289 00
American Car and Foundry Company, 1,000 Coal Cars Contract of March 9th, 1903, 53 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	673,000 36
American Car and Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3rd, 1903, 34 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	85,884 00
American Car and Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 38 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	152,563 54
American Loccmotive Company, 12 Passenger Locomotives, 9 notes outstanding (last one due November 10th, 1908), various amounts	213,597 00
Baldwin Locomotive Company, 38 Freight and Switch Locomotives, 18 notes outstanding (last one due November 17th, 1908), various amounts	575,253 06
Total	$2,311,036 96

NOTE.—The above does not include the Gold Equipment Bonds amounting to $840,000.00 issued in May, 1904, for the payment of 67 New Locomotives under the Equipment agreement with Blair & Co., Series A.

In addition to the above, we have an operative contract with the American Car and Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1904, the sum of $86,337.12.

TELEGRAPH DEPARTMENT.

	1903-1904.	1902-1903.
Total Number Miles of Road with Telegraph Lines	2,153	2,153
Total Number Miles of Wire assigned to this Company	7,178	6,830
Total Number Miles of Wire assigned to Telegraph Company	13,585	11,963
Total Number Miles Wire used jointly	747	747
Total Miles of Wire	21,510	19,580

Acknowledgment is made of the faithful and efficient service of heads of Departments, Division and subordinate officials and the rank and file of employees of the Company. It is very gratifying to note a constant growth in that feeling of loyalty to the "Wabash" among all classes of employees which is desired by the Management, and is so beneficial to both the Company and its employees.

Respectfully submitted,

J. RAMSEY, JR.,

President.

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines. FROM	TO	Owned.	Leased.	Operated under joint trackage.	Total, Main Lines.	Side and Double track.	TOTAL.
Toledo	E. Hannibal	460.5	.....	.....	460.5	249.5	710.0
E. Hannibal	Hannibal U. D.	.....	3.0	0.4	3.4	2.1	5.5
Bluffs	Camp Point	39.4	.....	.....	39.4	4.2	43.6
Camp Point	Quincy	.....	.....	21.8	21.8	0.2	22.0
E. Hannibal	Quincy	0.9	.....	17.3	18.2	4.5	22.7
Clayton	Elvaston	34.5	.....	.....	34.5	1.8	36.3
Elvaston	Keokuk	.....	.....	7.8	7.8	1.0	8.8
Maysville	Pittsfield	.....	6.2	.....	6.2	1.1	7.3
Sidney	Champaign	11.7	.....	.....	11.7	2.2	13.9
Decatur	St. Louis	110.1	.....	3.8	113.9	70.4	184.3
Edwardsville	Edwardsville Jct.	1.7	.....	.....	1.7	2.2	3.9
Chicago	C. & W. I. Junc.	.....	.....	8.0	8.0	23.7	31.7
C. & W. I. Jct.	Effingham	205.4	.....	.....	205.4	80.5	285.9
Shumway	Altamont	9.5	.....	0.8	10.3	0.3	10.6
Forrest	Fairbury Junc.	.....	.....	6.1	6.1	.....	6.1
Fairbury Jct.	Streator	30.9	.....	.....	30.9	3.7	34.6
Detroit	Delray	.....	.....	4.6	4.6	20.0	24.6
Delray	Butler	109.8	.....	.....	109.8	58.6	168.4
Butler	New Haven	25.7	.....	.....	25.7	8.2	33.9
Maumee	Montpelier	49.5	.....	.....	49.5	10.7	60.2
Montpelier	Clarke Junc.	149.6	.....	.....	149.6	56.8	206.4
Clarke Junc.	C. & W. I. Junc.	.....	.....	17.6	17.6	.....	17.6
Attica	Covington	14.8	.....	.....	14.8	2.2	17.0
Chili	Junction, Peru	.....	.....	.....	.....	7.7	7.7
Toledo	Milan	.....	.....	30.9	30.9	21.9	52.8
Total		1254.0	9.2	119.1	1382.3	633.5	2015.8

NOTE.—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles, "owned," between Edwardsville Junction and Edwardsville Crossing, which is leased to the Illinois Terminal Railroad Company.

LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines. FROM	TO	Owned.	Leased.	Operated under joint trackage.	Total Main Lines.	Side and Double Track.	TOTAL.
St. Louis—							
Union Station	23d st	.....	.....	0.7	0.7	.....	0.7
23d st	Harlem	274.8	.....	.....	274.8	113.1	387.9
Franklin av	N. Market st	.....	.....	.....	.....	1.5	1.5
Olive st	Carr st	.....	.....	0.6	0.6	0.4	1.0
Carr st	Ferguson	10.7	.....	.....	10.7	31.5	42.2
Harlem	Kansas City	.....	.....	1.5	1.5	3.5	5.0
Moberly	Hannibal	.....	.....	69.7	69.7	8.5	78.2
Moberly	Ottumwa	131.5	.....	.....	131.5	16.0	147.5
Moulton	Albia	28.3	.....	.....	28.3	2.6	30.9
Albia	Albia Connecti'n	.....	.....	0.2	0.2	0.6	0.8
Albia	Chesterfield	65.8	.....	.....	65.8	9.3	75.1
Chesterfield	Des Moines	.....	.....	2.4	2.4	.....	2.4
Brunswick	Chillicothe	38.2	.....	.....	38.2	3.4	41.6
Chillicothe	Pattonsburg	.....	41.4	.....	41.4	3.7	45.1
Pattonsburg	Council Bluffs	143.7	.....	.....	143.7	22.4	166.1
Wabash Conn	Co. Bluffs, U. D.	.....	.....	0.3	0.3	.....	0.3
Council Bluffs	Omaha	.....	.....	2.8	2.8	.....	2.8
Centralia	Columbia	21.6	.....	.....	21.6	1.2	22.8
Salisbury	Glasgow	15.4	.....	.....	15.4	0.9	16.3
Excello	Ardmore	.....	.....	.....	.....	11.0	11.0
Excelsior Sps Jc.	Milwaukee Junc	9.5	.....	.....	9.5	0.7	10.2
Maryville Junc.	Empire Coal Co.	.....	.....	.....	.....	7.3	7.3
Total		739.5	41.4	78.2	859.1	237.6	1096.7

NOTE.—The line from Chesterfield to Des Moines, 2.4 miles is reported in "Joint Trackage," instead of lines "Owned," on account of being operated under joint agreement with Des Moines Union Railway.

DOUBLE TRACK.—Joint track Wabash yards to Bridge Junction H. & St. J. R. R. Kansas City, Mo., 2220 feet, 0.4 miles.

This statement includes all side and double track constructed on St. Louis Division except tracks to World's Fair Station, the same being considered only temporary tracks.

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LINES EAST OF THE DETROIT RIVER.

Description of Lines.	Owned.	Leased.	Operated under Joint Trackage.	Total Main Lines.	Side and Double Track.	TOTAL.
FROM TO						
Detroit.....Black Rock.....	.....	.....	227.1	227.1	156.0	383.1
Welland Jct. .Susp. Bridge.....	.....	.....	17.8	17.8	21.9	39.7
Susp. Bridge....Buffalo	.....	.....	25.6	25.6	14.1	39.7
Black Rock.....International Jct..	.....	.....	4.8	4.8	4.5	9.3
Total.....	.....	.....	275.3	275.3	196.5	471.8

NOTE.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for the use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

The 196.5 miles of side and double track consists of 97.3 miles of double track and 99.2 miles of side track.

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RECAPITULATION.

MILES OF ROAD OPERATED.

Description of Lines.	Owned.	Leased.	Operated under Joint Trackage.	Total, Main Lines.	Side and Double Track.	Total.
Lines East of the Mississippi River	1254.0	9.2	119.1	1382.3	633.5	2015.8
Lines West of the Mississippi River	739.5	41.4	78.2	859.1	237.6	1096.7
Lines East of the Detroit River	.....	.....	275.3	275.3	196.5	471.8
Total	1993.5	50.6	472.6	2516.7	1067.6	3584.3

The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.1
In Indiana	357.5
In Illinois	745.0
In Missouri	653.7
In Iowa	208.9
In Nebraska	.6
Total	2516.7

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WABASH EMPLOYES' HOSPITAL ASSOCIATION.

Amount received from employes		$68,142 95
Amount received from Wabash R. R. Co. for care of injured persons		177 85
Amount received from other railroads for care of their employes		390 00
Total Receipts		$68,710 80
Expenses	$59,155 73	
Expended on new Hospital at Decatur	18,557 08	77,712 81
Deficit for the year		$ 9,002 01
Surplus June 30, 1903		44,048 09
Interest on Surplus during year		135 17
Rent Peru property		120 00
Surplus June 30, 1904		$35,301 25

	1903-1904.	1902-1903.
Number of patients treated in Hospitals	1,222	1,018
Number of patients treated outside of Hospitals	25,423	24,998
Total number of patients treated	26,645	26,016
Number of Surgical cases treated	3,223	3,151
Number of Medical cases treated	23,422	22,865
Number of prescriptions filled for patients in Hospitals	10,597	6,485
Number of prescriptions filled for patients outside of Hospitals	41,814	42,629
Total number of deaths	29	12

The Board of Trustees,

J. RAMSEY, JR., *Chairman*,
W. H. BLODGETT,
E. B. PRYOR.

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AUDITOR'S REPORT.

ST. LOUIS, Mo., October 1st, 1904.

J. RAMSEY, JR.,
President, The Wabash Railroad Company.

DEAR SIR:—I herewith submit statements of General Account, and tables showing the results of operation for the fiscal year ending June 30th, 1904, as follows:

A. Results of Operation.
B. Comparative Statement of Earnings and Expenses.
C. Income Account and Profit and Loss.
D. Financial Exhibit.
E. Comparative Statement of Operating Expenses.
F. Additions to Property.
G. Train and Mileage Statistics.
H. Tonnage of Articles Carried.
J. Mileage Statistics for Twenty-three Years.
K. Statement of Funded Debt and Interest Charges.

Yours respectfully,

D. B. HOWARD,
Auditor.

A

THE WABASH RAILROAD COMPANY.

Results of Operation for the Year Ending June 30, 1904.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Gross Earnings	$23,023,626 62	$21,140,828 94
Operating Expenses	17,683,508 85	15,815,662 32
Net Earnings	$5,340,117 78	$5,325,166 62
Taxes	750,158 71	664,702 96
Miscellaneous Receipts, Interest, Dividends, etc.	$4,589,959 07	$4,660,463 66
	489,706 07	487,927 94
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	$5,079,665 14	$5,128,391 60
	817,205 62	870,440 12
Net Earnings from Operation	$4,262,459 52	$4,257,951 48
Additions to Property and other Charges, as per Analysis (2) below	1,050,745 64	817,288 80
Net Earnings applicable to Interest	$3,211,713 88	$3,440,662 68
Interest on Bonds	3,092,422 72	3,034,512 60
Surplus	$119,291 16	$406,150 08
Dividends on Preferred Debenture Bonds	105,000 00	210,000 00
Net Surplus	$14,291 16	$196,150 08

1. Analysis of Joint Track Rentals and Miscellaneous Expenses

	Year ending June 30, 1904.	Year ending June 30, 1903.
Debit Joint Track Rentals	$964,438 33	$898,517 62
Credit " " "	151,840 71	63,500 00
	$812,797 62	$835,017 62
Miscellaneous Expenses	4,408 00	35,422 50
	$817,205 62	$870,440 12

2. Analysis of Additions to Property and Other Charges.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Additions to Property as per Table "F"	$591,446 10	$253,122 15
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	33,069 68	59,636 85
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00
Premium on Gold Equipment Sinking Fund Bonds.	2,568 75	4,520 00
Appropriation for New Equipment	323,661 11	400,000 00
	$1,050,745 64	$817,288 80

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B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1903.
July	$ 2,000,158 67	$ 1,721,581 98
August	2,121,426 47	1,908,705 28
September	2,239,688 87	1,840,910 79
October	2,206,296 69	1,970,098 31
November	1,818,076 77	1,714,998 95
December	1,881,094 15	1,694,345 55
January	1,771,413 70	1,672,454 08
February	1,522,948 23	1,516,613 47
March	1,750,820 45	1,706,681 66
April	1,794,780 97	1,760,861 62
May	1,889,106 88	1,928,672 49
June	2,028,040 28	1,709,908 81
Total Earnings	$23,023,626 63	$21,140,828 94
Freight	$14,064,656 81	$13,327,478 75
Passengers	7,045,535 29	6,135,500 85
Mails	830,928 23	716,200 09
Express	588,703 86	464,645 19
Miscellaneous	548,812 45	497,004 06
Total Earnings	$23,023,626 63	$21,140,828 94
Per cent of Freight Earnings to Total	61.09	63.04
" " Passenger " "	30.60	29.02
" " Mail " "	3.61	3.39
" " Express " "	2.32	2.20
" " Miscellaneous " "	2.38	2.35
Operating Expenses (not including Taxes)	$17,683,508 85	$15,815,662 32
Taxes	$750,158 71	$664,702 95
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	74.81
Net Earnings (Taxes not deducted)	$5,340,117 78	$5,325,166 62
Per cent of Net to Gross Earnings	23.19	25.19
Average number of miles operated	2,516.7	2,483.3
Average Earnings per mile	$9,148 34	$8,518 20
Average Expenses per mile	7,026 47	6,368 81
Net Earnings per mile	2,121 87	2,144 39

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THE WABASH RAILROAD COMPANY.

INCOME ACCOUNT—YEAR ENDING JUNE 30, 1904.

To OPERATING EXPENSES:—			By EARNINGS:—		
Maintenance of Way and Structures	$2,681,806 00		Freight Earnings	$14,084,656 81	
Maintenance of Equipment	3,473,001 68		Passenger "	7,045,525 29	
Conducting Transportation	9,976,626 79		Mail "	320,926 22	
General Expenses	550,270 38		Express "	523,708 85	
		$17,683,506 85	Miscellaneous Earnings	548,812 45	$23,023,636 63
Net Earnings carried down		5,340,117 78			
		$23,023,626 63			$23,023,626 63
To Interest on Bonds		$3,064,602 72	By Net Earnings brought down		$5,340,117 78
Rentals of Leased Lines		27,820 00	Sundry Amounts received for Rent of Tracks, etc.		151,640 71
Rentals of Tracks, Bridges, etc.		964,438 33	Miscellaneous Receipts — Interest, Dividends, etc.		489,706 07
Taxes		750,158 71			
Additions to Property		591,446 10			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		100,000 00			
Premium on Gold Equipment Sinking Fund Bonds of 1901		2,568 75			
Appropriation for New Equipment		223,661 11			
Sundry Accounts		87,477 68			
Dividends paid on Preferred Debenture Bonds		165,000 00			
Balance carried to Profit and Loss		14,291 16			
		$5,981,464 56			$5,981,464 56

PROFIT AND LOSS ACCOUNT—YEAR ENDING JUNE 30, 1904.

To Toledo and Wabash Elevator Co.:—		By Balance to credit Profit and Loss Account, June 30, 1903, brought forward		$969,994 49
Balance due in settlement of account written off	$ 4,548 27	Chicago & Western Indiana R. R. Sinking Fund Payments, July 1, 1903, to June 30, 1904		68,068 80
Detroit Union R. R. Depot and Station Co.:—		Premium collected on Wabash R. R. First Mortgage Bonds, issued in exchange for Prior Lien Bonds		70,826 90
Balance due for Rebate on Grain written off	544 41	Cash received in U. S. Mail, Conscience Money		400 00
Expenses of Compton Case	3,815 47	Received from Railway Share Trust and Agency Co. for assessments and fines in connection with exchange of Certificates for Debenture Bonds, Series B		1,156 84
Amount paid out in connection with the purchase of the Champaign and Southeastern R. R. under decree of foreclosure	5,000 00	Final Dividend on Capital Stock, World's Columbian Exposition, Chicago		930 00
Discount and Commission on Sale of $100,000.00:—		Balance brought down from Income Account, June 30, 1904		14,291 16
Columbia and St. Louis R. R. First Mortgage Bonds	15,250 00			$1,125,668 19
Discount and Commission on Sale of $21,000.00:—				
Kansas City, Excelsior Springs and Northern R. R. First Mortgage Bonds	3,202 50			
Balance to credit Profit and Loss June 30, 1904	1,094,307 54			
	$1,125,668 19			

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D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1904.

(Per Condensed Balance Sheet.)

ASSETS.

	1904.	1903.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,335,419 98	$143,882,500 00	$1,452,919 98	
Supplies and Materials on Hand	1,641,051 84	1,344,803 46	296,248 38	
Cash on Hand	1,182,777 23	987,034 96	195,742 27	
Investments in Stocks and Bonds (2)	17,681,089 14	1,553,020 34	16,108,068 80	
Sundry Accounts Collectible—				
Due from Agents	343,328 54	520,891 43		177,562 89
From U. S., Carrying Mails	209,096 67	179,975 79	29,120 88	
Pacific Express Co.	105,215 00	61,621 59	43,593 41	
Sundry Railroads and Individuals	1,548,386 94	613,497 20	932,889 74	
Bills Receivable	1,875 00	53,239 27		51,364 27
Advances Fast Freight Lines Account Working Fund	37,973 10	43,004 74		5,031 64
Advances on Account Real Estate in St. Louis	634,063 98	1,033,534 83		399,135 85
Miscellaneous (3)	3,494,001 12	659,089 38	2,834,911 74	
	$172,192,302 90	$150,832,202 97	$21,360,099 93	

LIABILITIES.

	1904.	1903.	Increase.	Decrease.
Common Stock	$38,000,000 00	$28,000,000 00	$10,000,000 00	
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (4)	100,513,000 00	91,949,000 00	8,564,000 00	
Interest Due	270,171 59	186,402 25	83,768 34	
Interest Accrued, not Due	692,361 68	696,885 85		$ 3,524 17
Dividends Debenture Bonds, Series "A" due		105,000 00		105,000 00
Sundry Accounts Payable—				
Vouchers and Pay Rolls	3,734,892 89	2,738,405 58	996,287 31	
Sundry Railroads and Individuals	356,055 28	466,607 12		110,551 74
Taxes Accrued, not due	388,877 00	386,337 60	2,539 40	
Hospital Account	5,986 20	5,183 00	803 20	
Bills Payable—				
Notes Payable	414,000 00	23,286 66	390,713 34	
Equipment Notes of Long Date (5)	2,311,036 96	583,030 32	1,728,006 64	
Proceeds sale Debenture Bonds, Series "B"	389,237 50	389,237 50		
Equipment Fund Account		311,959 80		311,959 80
Miscellaneous	41,578 18	40,871 82	704 36	
Balance to credit, Profit and Loss	1,094,307 54	969,994 49	124,313 05	
	$172,192,302 90	$150,832,202 97	$21,360,099 93	

(1) Increase is due to cost of new Terminals in St. Louis, $1,527,000.00; less Gold Equipment Sinking Fund Bonds retired, $100,000.00.

(2) Increase is due to investment in Capital Stock of The Wabash-Pittsburgh Terminal Ry., $10,000,000.00, and First Mortgage Bonds of The Wabash-Pittsburgh Terminal Ry., $6,154,000.00.

(3) Increase is due to amounts carried in suspense on account of purchase of new equipment.

(4) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $1,064,000.00; Wabash R. R. Equipment Gold Bonds Series A, $340,000.00; Wabash R. R. temporary 5% Collateral Notes, $6,160,000.00; less Gold Equipment Sinking Fund Bonds retired, $140,000.00.

(5) See Note 3.

E

THE WABASH RAILROAD COMPANY.

Operating Expenses—Year Ending June 30, 1904.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Repairs of Roadway	$1,900,007 28	$1,672,302 45
Renewals of Rails	188,963 21	347,412 21
do of Ties	421,804 69	343,008 50
Repairs and Renewals of Bridges and Culverts	522,983 43	515,290 75
do do Fences, Road C., etc.	114,343 15	106,272 63
do do Buildings and Fixtures	421,979 68	350,408 94
do do Docks and Wharves	7,364 43	17,777 26
do do Telegraph	51,332 82	42,078 89
Stationery and Printing	8,104 67	4,175 81
Other Expenses	774 66	2,234 13
Total	$3,681,808 00	$3,700,961 89

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 98,726 73	$ 95,855 32
Repairs and Renewals of Locomotives, Passenger	532,322 62	441,885 08
do do Locomotives, Freight	951,180 46	870,199 51
do do Passenger Cars	407,263 06	346,447 05
do do Freight Cars	1,034,446 09	867,129 55
do do Work Cars	40,214 18	31,148 80
do do Marine Equipment	34,671 67	29,350 13
do do Shop Machinery & Tools	223,079 18	273,821 42
Stationery and Printing	8,238 32	7,892 79
Other Expenses	152,859 43	101,544 43
Total	$3,473,001 53	$3,114,663 96

CONDUCTING TRANSPORTATION—PASSENGER.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 105,382 01	$ 89,653 23
Engine and Roundhouse Men	571,468 32	519,383 19
Fuel for Locomotives	560,366 37	431,702 87
Water Supply for Locomotives	33,589 08	31,559 33
Oil, Tallow and Waste, for Locomotives	25,013 83	25,865 39
Other Supplies for Locomotives	14,636 86	11,414 39
Train Service	393,433 15	351,523 49
Train Supplies and Expenses	280,704 74	248,386 73
Switchmen, Flagmen and Watchmen	192,380 08	163,915 87
Telegraph Expenses	111,993 97	98,187 02
Station Service	221,976 99	211,316 05
Station Supplies	31,463 58	25,631 22
Car Mileage—Balance	186,201 55	191,391 10
Hire of Equipment—Balance	4,768 91	4,290 62
Loss and Damage	22,857 37	28,239 02
Injuries to Persons	55,110 24	177,559 03
Clearing Wrecks	9,641 80	4,079 57
Operating Marine Equipment	8,773 49	7,770 28
Advertising	100,734 79	85,356 37
Outside Agencies	59,322 11	153,819 18
Commissions		
Rents for Tracks, Yards and Terminals	167,314 48	149,616 54
do of Buildings and Other Property	78,744 39	61,647 82
Stationery and Printing	60,749 76	52,844 87
Other Expenses	1,725 45	2,202 41
Total	$3,398,285 28	$3,122,114 38

E—*Continued.*

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—*Continued.*

CONDUCTING TRANSPORTATION—FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 198,827 53	$ 188,868 03
Engine and Roundhouse Men	1,669,696 85	920,417 61
Fuel for Locomotives	1,300,022 15	972,960 42
Water Supply for Locomotives	70,239 24	67,856 90
Oil, Tallow and Waste for Locomotives	42,778 37	38,194 49
Other Supplies for Locomotives	27,557 72	21,268 18
Train Service	733,901 70	647,305 23
Train Supplies and Expenses	98,769 79	84,480 89
Switchmen, Flagmen and Watchmen	527,352 02	444,084 70
Telegraph Expenses	228,231 36	199,698 89
Station Service	1,036,635 50	988,635 37
Station Supplies	60,959 04	49,228 92
Car Mileage—Balance	267,757 91	112,319 29
Hire of Equipment—Balance	43,772 80	16,571 29
Loss and Damage	156,068 87	99,810 74
Injuries to Persons	73,197 45	53,768 43
Clearing Wrecks	33,349 88	19,922 84
Operating Marine Equipment	58,506 88	51,618 99
Advertising		
Outside Agencies	363,853 55	351,106 92
Commissions	11,028 86	8,342 98
Stock Yards and Elevators		
Rents for Tracks, Yards and Terminals	44,163 73	30,504 75
do of Buildings and Other Property	18,515 25	14,872 61
Stationery and Printing	74,906 98	64,079 90
Other Expenses	2,377 17	3,962 36
Total	$6,580,343 51	$5,389,163 23

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Salaries of General Officers	$103,520 88	$ 93,128 47
do of Clerks and Attendants	220,873 42	197,717 39
General Office Expenses and Supplies	18,122 46	16,900 11
Insurance	50,522 58	49,080 40
Law Expenses	99,714 40	89,499 98
Stationery and Printing (General Offices)	31,961 97	27,976 72
Other Expenses	15,575 67	14,575 05
Total	$550,270 38	$488,759 07

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Maintenance of Way and Structures	$3,681,506 00	$3,700,961 69
Maintenance of Equipment	2,472,001 68	2,114,663 95
Conducting Transportation	9,978,628 79	8,511,277 51
General Expenses	550,270 38	488,759 07
Total Operating Expenses	$17,683,508 85	$15,815,662 22

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THE WABASH RAILROAD COMPANY.

ADDITIONS TO PROPERTY—YEAR ENDING JUNE 30, 1904.

New Yards, Main, Side and Spur Tracks	$213,457 33
Double Track, Ashburn to Worth	76,982 34
" " Litchfield to Worden	100,874 36
" " Pong to Bridge Junction	59,798 46
New Tracks, Terminals, etc., Twenty-third Street to Page Avenue, St. Louis	92,806 96
Additions to Y. M. C. A. Building, Decatur, Ill	4,656 50
Cost of Terminals in Quincy	87,541 35
Cost of Real Estate in Toledo	5,328 80
Total	$591,446 10

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G

THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1903.	Per Cent. Increase.	Per Cent. Decrease.
Tons Carried, Revenue Freight	9,896,995	9,821,514	0.08	
Tons Carried, Company Freight	2,013,016	1,852,755	9.78	
Total Tons Carried	11,712,011	11,535,269	1.62	
Tons carried one Mile, Revenue Freight	2,175,680,058	2,196,073,883		1.02
Tons carried one Mile, Company Freight	224,937,904	215,088,785	4.58	
Total Tons carried one Mile	2,400,617,962	2,413,162,168		0.52
Average distance each Ton carried	205.0 Miles.	209.4 Miles.		2.10
Earnings from Freight Traffic	$14,084,656 81	$13,327,473 75	5.68	
Operating Expenses	11,749,062 00	10,313,415 42	13.92	
Average Earnings per Ton	$1 45.01	$1 37.52	5.45	
Average Expenses per Ton	1 21.14	1 06.42	13.82	
Average Rate per Ton per Mile	Cts. 0.6464	Cts. 0.6063	6.61	
Average Expenses per Ton per Mile	" 0.5480	" 0.4692	15.09	
Average Net per Ton per Mile	" 0.1064	" 0.1371		22.39
Total Freight Train Mileage	7,590,295	7,284,158	4.21	
Average Earnings per Train Mile	$1 85.10	$1 82.97	1.15	
Average Expenses per Train Mile	1 54.62	1 41.59	9.21	
Average Net Earnings per Train Mile	0 30.47	0 41.38		26.37
Car Mileage, Loaded	140,074,003	135,434,005	3.43	
Car Mileage, Empty	52,644,533	52,573,824	0.13	
Car Mileage, Total—Loaded and Empty	192,718,536	187,997,829	2.51	
Average Loaded Cars per Train	18.43	18.59		0.86
Average Empty Cars per Train	6.93	7.22		4.02
Average Total Cars per Train	25.36	25.81		1.74
Average Load per Loaded Car—Tons	17.14	17.82		3.82
Average Load per Car, Loaded and Empty—Tons	12.46	12.84		2.96
Average Load per Train—Tons—including Company Freight	315.94	331.29		4.63
Average Load per Train—Tons—Revenue Freight only	286.34	301.76		5.11
Average Earnings per Loaded Car per Mile	Cts. 10.04	Cts. 9.84	2.03	
Average Expenses per Loaded Car per Mile	" 8.39	" 7.62	10.10	

PASSENGER.

Number of Passengers carried	6,133,474	5,948,913	3.04	
Number of Passengers carried one Mile	369,283,834	330,111,942	11.87	
Average distance each Passenger carried	59.7 Miles.	55.5 Miles.	7.67	
Earnings from Passenger Traffic	$7,045,525 29	$6,135,500 85	14.83	
Earnings, including Mail, Express, etc	8,580,184 02	7,470,992 22	14.85	
Operating Expenses	5,934,426 85	5,502,346 90	7.85	
Average Revenue per Passenger	$1 13.94	$1 03.14	10.47	
Average Cost carrying each Passenger	0 95.97	0 92.49	3.76	
Average Rate per Passenger per Mile	Cts. 1.908	Cts. 1.859	2.64	
Average Cost per Passenger per Mile	" 1.607	" 1.667		3.60
Average Net per Passenger per Mile	" 0.301	" 0.192	56.77	
Total Passenger Train Mileage	8,100,348	7,715,162	4.99	
Average Earnings per Train Mile	$1 65.92	$0 96.84	9.88	
Average Expenses per Train Mile	0 73.26	0 71.32	2.72	
Average Net Earnings per Train Mile	0 32.66	0 25.52	27.98	
Car Mileage—Coaches and Sleepers	28,619,997	27,123,690	5.50	
Total Car Mileage, including Baggage, Mail, Express and Sleepers	37,722,680	36,134,240	4.40	
Average number Cars per Train	4.66	4.68		0.43
Average number Passengers per Coach and Sleeper	12.90	12.17	6.00	
Average number Passengers per Train	45.59	43.79	5.54	
Average Earnings per Car per Mile	Cts. 22.75	Cts. 20.68	10.01	
Average Expenses per Car per Mile	" 15.73	" 15.23	3.28	

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THE WABASH RAILROAD COMPANY.

Tonnage of Articles Carried.

Articles.	Year ending June 30th, 1904.		Year ending June 30th, 1903.	
	Per Cent.	Tons.	Per Cent.	Tons.
Products of Agriculture:—	**21.39**		**23.65**	
Wheat	2.03	197,448	3.45	334,822
Corn	7.94	770,092	7.81	756,765
Other Grain	3.07	297,496	4.23	409,782
Flour	1.81	175,258	1.99	193,389
Other Mill Products	2.83	274,065	2.68	259,263
Hay	1.40	135,176	1.37	132,292
Tobacco	0.05	5,260	0.05	4,480
Cotton	0.42	40,284	0.12	11,438
Fruits and Vegetables	1.84	178,195	1.96	189,890
Products of Animals:—	**6.92**		**6.68**	
Live Stock	3.78	366,466	3.68	352,125
Dressed Meats	1.10	106,761	1.11	107,985
Other Packing House Products	1.39	135,203	1.30	116,135
Wool	0.07	6,974	0.08	7,315
Hides and Leather	0.58	56,112	0.88	85,947
Products of Mines:—	**33.44**		**31.99**	
Stone, Sand, etc	3.34	323,564	2.31	223,580
Anthracite Coal	3.31	321,011	2.33	225,397
Bituminous Coal	25.91	2,512,772	26.33	2,551,579
Coke	0.44	42,666	0.39	37,477
Ores	0.44	42,704	0.64	62,293
Products of Forest:—	**7.60**		**7.46**	
Lumber	5.51	534,247	5.65	547,839
Other Articles	2.09	202,491	1.81	175,255
Manufactures:—	**8.98**		**9.42**	
Petroleum and Other Oils	0.96	93,327	1.05	102,228
Sugar	0.30	29,533	0.36	34,708
Iron, Pig and Bloom	0.40	38,483	0.61	59,084
Iron and Steel Rails	0.68	64,264	1.30	126,807
Other Castings and Machinery	0.65	63,126	0.58	56,271
Bar and Sheet Metal	1.34	129,427	1.33	129,255
Cement, Brick and Lime	2.79	270,798	2.34	226,526
Agricultural Implements	0.35	34,152	0.44	43,084
Wagons, Carriages, Tools, etc	0.13	12,368	0.14	13,544
Wines, Beer and Liquors	1.08	104,897	0.94	90,815
H. H. Goods and Furniture	0.32	31,489	0.33	31,527
Merchandise	6.76	655,350	6.41	620,327
Miscellaneous	14.91	1,445,716	14.39	1,394,770
Total Tons	100.00	9,698,996	100.00	9,691,514
Company's Freight		2,012,016		1,833,755

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THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Three Years.

Year.	Miles Road Operated.	Earnings Per Mile.	Operating Expenses Per Mile.	Net Earnings Per Mile.	Tons Freight Carried.	Tons Carried One Mile.	Rate Per Ton Per Mile. (cents.)	Expenses Per Ton Per Mile. (cents.)	Net Earnings Per Ton Per Mile. (cents.)	Freight Train Mileage.	Freight Train Earnings Per Mile.	Freight Train Expenses Per Mile.	Freight Train Net Earnings Per Mile.
1882	3,401.6	$4,954 05	$3,652 49	$1,301 56	5,911,012	1,247,611,320	0.951	0.694	0.257	8,599,680	$1 38.00	$1 00.70	$0 37.30
1883	3,587.5	4,715 02	3,327 76	887 26	5,859,586	1,263,790,522	0.948	0.787	0.161	9,486,967	1 28.28	1 04.79	0 21.49
1884	3,582.5	4,650 83	3,896 35	754 48	6,358,761	1,273,842,462	0.857	0.737	0.120	9,612,370	1 22.50	1 05.33	0 17.17
1885	2,912.8	4,738 28	3,995 80	742 48	5,553,571	1,183,951,136	0.802	0.699	0.103	7,726,106	1 22.98	1 07.16	0 15.82
1886	2,191.4	5,843 96	4,308 62	1,535 34	5,488,087	1,101,685,716	0.513	0.605	0.213	6,210,422	1 46.11	1 07.30	0 37.81
1887	1,989.5	6,745 50	4,757 23	1,988 28	6,409,301	1,075,047,083	0.655	0.623	0.232	5,787,140	1 59.38	1 16.15	0 43.18
1888	1,950.1	6,324 26	5,014 40	1,309 86	6,231,879	1,072,298,610	0.750	0.638	0.112	5,908,518	1 34.98	1 14.86	0 20.12
Year ending June 30													
1889	1,944.4	6,475 25	5,047 44	1,427 81	6,267,780	1,094,717,509	0.756	0.627	0.129	6,102,092	1 35.55	1 12.41	0 23.14
1890	1,922.3	6,946 30	5,032 11	1,914 19	6,832,358	1,430,197,392	0.647	0.479	0.168	7,226,032	1 27.07	0 94.07	0 33.00
1891	1,922.9	6,775 33	4,974 37	1,800 96	6,256,064	1,209,179,055	0.783	0.563	0.170	6,611,136	1 34.08	1 02.91	0 31.17
1892	1,916.8	7,506 95	5,651 36	1,855 59	6,928,051	1,390,510,161	0.705	0.554	0.151	7,501,799	1 30.65	1 02.68	0 27.97
1893	1,890.0	7,534 04	5,718 31	1,805 73	7,086,387	1,409,033,492	0.683	0.550	0.133	7,587,247	1 27.09	1 02.39	0 24.70
1894	1,885.4	6,485 20	5,079 25	1,405 95	5,414,994	1,097,585,279	0.696	0.607	0.091	6,258,006	1 22.35	1 06.40	0 15.95
1895	1,925.4	6,179 52	4,909 40	1,270 12	5,831,587	1,109,976,202	0.721	0.560	0.161	6,345,891	1 27.02	0 98.65	0 28.37
1896	1,936.2	6,614 68	4,773 58	1,841 00	6,100,710	1,218,785,357	0.696	0.520	0.176	6,813,782	1 34.82	1 00.36	0 33.96
1897	1,936.3	5,953 30	4,121 04	1,832 26	5,954,760	1,149,989,024	0.861	0.470	0.191	5,402,191	1 40.77	1 00.00	0 40.77
1898	2,061.3	8,407 54	4,514 03	1,893 51	6,882,831	1,385,698,174	0.824	0.447	0.177	6,906,504	1 35.17	0 96.80	0 38.37
1899	2,277.7	8,319 52	4,571 05	1,748 47	6,987,641	1,668,830,054	0.553	0.421	0.132	7,101,824	1 29.73	0 98.87	0 30.86
1900	2,339.5	7,927 57	5,106 83	1,920 74	8,080,220	1,902,881,278	0.553	0.425	0.128	7,075,158	1 50.05	1 14.31	0 35.74
1901	2,360.3	7,437 39	5,402 72	2,034 67	8,354,949	1,973,902,453	0.554	0.436	0.118	6,961,266	1 59.84	1 23.69	0 36.15
1902	2,438.0	7,815 21	5,679 88	2,135 33	8,578,503	1,947,404,142	0.604	0.463	0.141	6,841,121	1 71.95	1 31.78	0 40.17
1903	2,483.3	8,513 20	6,369 81	2,144 39	9,691,514	2,198,073,393	0.606	0.469	0.137	7,284,158	1 82.97	1 41.59	0 41.38
1904	2,518.7	9,148 34	7,026 47	2,121 87	9,698,995	2,175,680,058	0.646	0.540	0.106	7,598,296	1 85.10	1 54.63	0 30.47

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THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-THREE YEARS—*Continued.*

YEAR.	Average Load Per Car. (Tons.)	Average Fr'ght Train Load. (Tons.)	Number Passengers Carried.	Number Passengers Carried One Mile.	Rate per Passenger Per Mile. (cents.)	Expenses Per Passenger Per Mile. (cents.)	Net Earnings Per Pas'gr Per M. (cents.)	Passenger Train Mileage.	Passenger Train Earnings Per Mile.	Passenger Train Expenses Per Mile.	Passenger Train Net Earnings Per Mile.	Average No. of Paying Passengers Per Car.	Average No. of Paying Passengers Per Train.
1882	9.63	145.07	4,251,393	166,198,560	2.873	1.804	0.569	4,942,209	$0 97.70	$0 60.60	$0 37.10	11.10	33.60
1883	9.58	138.21	3,905,685	154,727,718	2.498	2.190	0.308	4,868,465	1 00.26	0 69.64	0 30.62	10.89	31.79
1884	10.12	142.92	4,046,577	154,700,998	2.366	2.251	0.115	5,024,882	0 93.70	0 69.29	0 24.41	10.19	30.79
1885	10.36	153.24	3,180,644	138,274,372	2.314	2.247	0.067	4,525,662	0 91.18	0 68.65	0 22.48	10.28	30.55
1886	10.80	177.39	2,726,166	131,005,562	2.186	2.120	0.066	3,971,677	0 91.63	0 69.94	0 21.69	10.11	32.98
1887	11.01	186.41	2,802,036	143,782,871	2.212	1.923	0.289	4,103,310	0 97.41	0 67.41	0 30.00	10.07	35.04
1888	10.94	179.96	3,073,231	157,146,634	2.096	1.867	0.229	4,521,426	0 89.78	0 64.90	0 24.88	9.89	34.76
Year ending June 30.													
1889	11.08	179.40	3,059,772	152,404,045	2.150	1.939	0.211	4,525,866	0 88.65	0 65.28	0 23.37	9.59	33.67
1890	12.15	196.29	3,115,504	149,183,008	2.180	1.890	0.240	4,475,682	0 88.04	0 62.99	0 25.05	9.67	33.33
1891	11.51	182.90	3,416,078	149,904,303	2.178	1.842	0.336	4,559,786	0 88.18	0 60.67	0 27.59	9.11	32.88
1892	12.09	185.36	3,826,749	170,301,087	2.057	1.839	0.218	4,714,252	0 91.31	0 66.28	0 24.98	9.75	35.10
1893	12.28	186.20	3,934,916	177,119,085	2.009	1.737	0.272	4,805,338	0 91.87	0 68.67	0 23.20	9.98	36.86
1894	11.94	175.89	3,724,674	210,281,457	1.577	1.508	0.069	5,133,272	0 92.61	0 61.79	0 30.82	11.49	40.96
1895	13.26	176.29	3,404,771	139,472,529	2.145	1.979	0.167	4,917,128	0 77.30	0 56.13	0 21.17	8.41	28.36
1896	13.67	193.04	3,543,942	153,966,979	2.038	1.823	0.210	5,019,857	0 81.41	0 57.89	0 23.52	9.42	31.68
1897	12.88	212.87	3,149,170	135,963,880	2.087	1.895	0.192	4,823,090	0 77.57	0 53.43	0 24.14	8.75	28.19
1898	12.99	216.55	3,517,683	180,359,167	1.957	1.774	0.183	5,499,994	0 81.70	0 56.18	0 25.52	9.65	32.79
1899	14.83	255.12	3,751,019	210,592,939	1.897	1.610	0.287	6,270,751	0 79.42	0 54.06	0 25.36	9.91	33.58
1900	16.07	291.02	4,277,735	235,848,065	1.913	1.650	0.263	6,644,720	0 84.08	0 58.09	0 25.94	9.97	35.19
1901	16.87	309.00	4,943,016	264,268,214	1.885	1.558	0.327	7,237,313	0 85.14	0 56.89	0 28.25	10.53	38.51
1902	16.89	316.38	5,100,302	322,708,490	1.791	1.497	0.294	7,891,050	0 91.40	0 62.83	0 28.57	12.00	41.96
1903	17.82	331.29	5,948,919	330,111,942	1.859	1.667	0.192	7,715,161	0 96.84	0 71.32	0 25.52	12.17	42.79
1904	17.14	315.94	6,188,474	359,283,534	1.908	1.607	0.301	8,100,948	1 05.92	0 78.26	0 32.66	12.90	45.59

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THE WABASH RAILROAD COMPANY.

STATEMENT OF FUNDED DEBT AND INTEREST CHARGES.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,611,666 66	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1889	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 3,880,000 00 B 26,500,000 00	6%	Jan. and July.	*
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	2,700,000 00	5%	Mar. and Sept.	135,000 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1891	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	3,000,000 00	3½%	April and Oct.	105,000 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,600,000 00	4%	Jan. and July.	64,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1878	Oct., 1908	485,000 00	6%	April and Oct.	29,080 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1926	100,000 00	4%	Jan. and July.	4,000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1902	May, 1942	200,000 00	4%	May and Nov.	8,000 00
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	1,684,000 00	4%	Jan. and July.	68,560 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	640,000 00	5%	May and Nov.	40,950 00
The Wabash R. R. Co., Temporary 5% Collateral Notes	May, 1904	May, 1907	6,180,000 00	5%	May and Nov.	308,000 00
LEASED LINE BONDS.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1878	July, 1908	421,000 00	6%	Jan. and July.	25,260 00
Total			$100,513,000 00			$3,421,850 00

*Interest payable if earned.

NOTE.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $3,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1904.

The total authorized issue of Omaha Division First Mortgage Bonds is $3,500,000.00. The total amount issued and outstanding June 30, 1904, is $3,000,000.00, $500,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.00 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and in the acquisition of additional equipment.

Since July 1, 1903, the following Prior Lien Bonds have been exchanged for Wabash Railroad Company 1st Mortgage Bonds: St. Charles Bridge 1st Mortgage Bonds, $10,000.00; St. Charles Bridge 2d Mortgage Bonds, $289,000.00; Brunswick and Chillicothe Railroad Company 1st Mortgage Bonds, $284,000.00. Total amount exchanged, $513,000.00.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series A, for the first year ending May 1, 1905, is $40,950.00. Ten per cent of the principal sum—viz., $84,000.00—is payable each year, making a reduction in the annual interest-charge, each year, $4,200.00 until the bonds have matured.

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SEVENTEENTH
ANNUAL REPORT
OF THE
DIRECTORS
OF
The Wabash Railroad
COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1906

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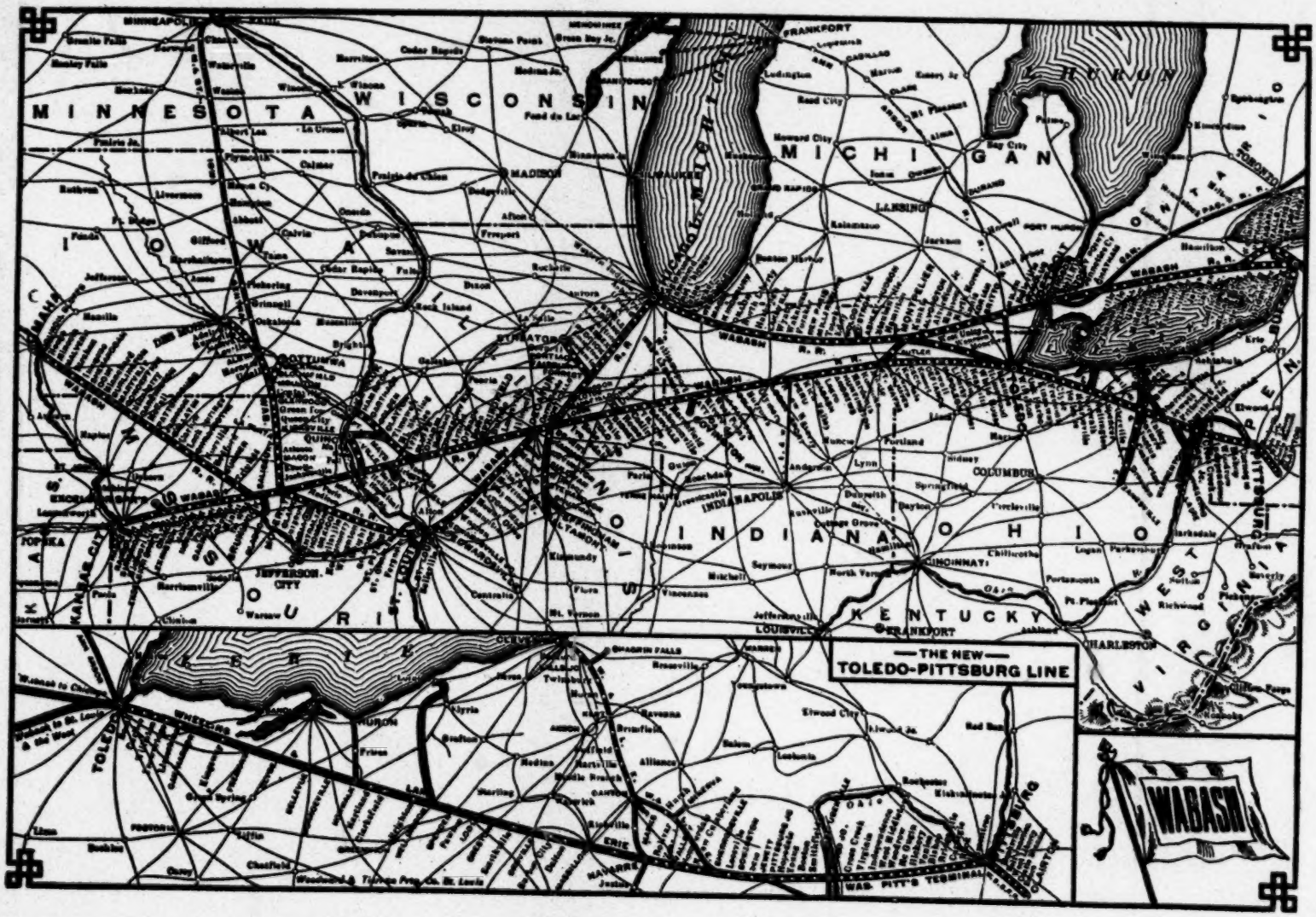
MINNESOTA
WISCONSIN
MICHIGAN
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MISSOURI
ONTARIO
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MADISON
CHICAGO
DETROIT
TOLEDO
CLEVELAND
COLUMBUS
INDIANAPOLIS
CINCINNATI
LOUISVILLE
FRANKFORT
PITTSBURGH
CHARLESTON
— THE NEW —
TOLEDO-PITTSBURG LINE
WABASH

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Seventeenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For The Fiscal Year Ending
June 30th, 1906.

ST. LOUIS:
Woodward & Tiernan Printing Co.,
1906.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

EDWARD T. JEFFERY, . . *Chairman of the Board.*
FREDERIC A. DELANO, . . *President.*
EDGAR T. WELLES, ... *Vice-President.*
WELLS H. BLODGETT, . . *Third Vice-President and General Counsel.*
E. B. PRYOR, ... *Fourth Vice-President and Asst. Sec'y.*
HENRY MILLER, ... *General Manager.*
C. N. TRAVOUS, ... *General Solicitor.*
J. L. MINNIS, ... *General Attorney.*
B. C. WINSTON, ... *General Claim Agent.*
GEORGE G. YEOMANS, . . *Assistant to President.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
S. E. COTTER, ... *General Superintendent.*
T. J. TOBIN, ... *Auditor.*
D. O. IVES, ... *General Traffic Manager.*
W. C. MAXWELL, ... *Asst. General Traffic Manager.*
S. B. KNIGHT, ... *Industrial Commissioner.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
D. I. FORSYTH, ... *Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
C. A. HOW, ... *Purchasing Agent.*
I. R. L. WILES, ... *Supply Agent.*
A. O. CUNNINGHAM, . . . *Chief Engineer.*
J. B. BARNES, ... *Supt. Locomotive and Car Dept.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
DR. H. W. MOREHOUSE, . . *Chief Surgeon.*

DIRECTORS.

GEO. J. GOULD,
EDWARD T. JEFFERY,
EDGAR T. WELLES,
WILLIAM B. SANDERS,
FREDERIC A. DELANO,
WELLS H. BLODGETT,
S. C. REYNOLDS,
ROBERT C. CLOWRY,
THOS. H. HUBBARD,
JOHN T. TERRY,
RUSSELL SAGE,
WINSLOW S. PIERCE,
ROBERT M. GALLAWAY.

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In Memoriam

RUSSELL SAGE

AT a meeting of the Board of Directors of the Wabash Railroad Company, the following resolution was adopted:

That this Board has heard with deep regret of the death of Mr. Russell Sage, a member of this Board since the organization of the Company, and one whose services were always at the command of the Company. His good judgment always proved of benefit and his associates desire to put on record their appreciation of his many sterling qualities. He will be greatly missed by his associates, not only on this Board, but on others, and it is desired to record this expression of their regard.

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SEVENTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30th, 1906.

TO THE HOLDERS OF DEBENTURE MORTGAGE BONDS,
AND TO THE STOCKHOLDERS OF THE WABASH
RAILROAD COMPANY:

A summary of the operations of the Company for the fiscal year ending June 30th, 1906, as compared with previous years, is given herewith. The previous year with which we have to compare, being abnormal on account of the World's Fair at St. Louis, the results for the fiscal year of 1903-1904 are also included for the sake of comparison:

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REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.	Increase this year over last year.
Gross Earnings	$22,023,626 63	$24,696,600 10	$25,015,378 70	$ 318,778 60
Operating Expenses	17,683,508 85	20,508,444 55	18,077,887 35	2,435,557 20*
Net Earnings	$5,340,117 78	$4,188,155 55	$6,937,491 35	$2,744,335 80
Per Cent. of Oper. Exp. to Earnings	76.81	83.03	72.27	10.75*
Gross Earnings per mile	9,143 34	9,811 14	9,937 78	126 64
Operating Expenses per mile	7,026 47	8,145 34	7,181 74	963 60*
Net Earnings per mile	2,121 87	1,665 80	2,756 04	1,090 24

ANALYSIS OF EARNINGS.

	Year ending June 30, 1904.	Per Cent.	Year ending June 30, 1905.	Per Cent.	Year ending June 30, 1906.	Per Cent.	Increase this year over last year.
Freight	$14,084,856 81	61.09	$13,850,185 54	55.27	$16,138,466 18	64.51	$2,488,280 64
Passenger	7,045,235 29	30.60	8,917,228 77	35.11	6,723,058 43	26.86	2,194,170 34*
Mail	830,923 22	3.61	837,052 28	3.39	835,984 26	3.34	1,104 02*
Express	535,703 55	2.32	691,736 42	2.80	767,057 46	3.07	75,321 04
Miscellaneous	548,312 45	2.38	399,761 09	2.43	550,212 37	2.20	49,548 72*
Total	$23,023,626 63	.....	$24,696,600 10	.....	$25,015,378 70	.....	$ 318,778 60

ANALYSIS OF EXPENSES.

	Year ending June 30, 1904.	Per Cent.	Year ending June 30, 1905.	Per Cent.	Year ending June 30, 1906.	Per Cent.	Increase this year over last year.
Maint. of Way and Struc.	$ 3,681,808 00	20.82	$ 4,097,585 59	19.55	$ 3,199,021 54	17.20	$ 898,484 05*
Maint. of Equip.	3,473,001 68	19.64	4,575,148 43	22.31	3,679,948 04	20.36	895,200 39*
Conduct'g Trans.	9,978,628 79	56.43	11,255,672 39	54.90	10,629,920 84	58.80	625,751 55*
General Expenses	550,270 38	3.11	585,118 14	3.24	568,996 93	3.64	6,121 21*
Total	$17,683,508 85	.....	$20,508,444 55	.....	$18,077,887 35	.....	$2,425,557 20*

*Decrease.

It will be noted that there was a very large decrease in passenger earnings as compared with the World's Fair year, but that this was a little more than made up by freight earnings, which increased more than 18% over the previous year. The diminution in passenger earnings was not wholly due to World's Fair business; for, undoubtedly a large contributing cause has been the opening of new rail lines between Chicago and St. Louis and between St. Louis and Kansas City; as well as the competition of electric lines both in Illinois and Indiana. The margin of profit at which passenger business is now done, is so very small considering the service demanded that we must look largely to freight traffic for net revenue. Since the first of January, 1906, the State of Ohio has passed a law limiting passenger rates to two cents per mile and this, of course, still further diminishes the revenues from passenger business.

The results of the year just closed show a very large decrease in operating expenses, and, as will be seen in detailed statements which follow, these economies are distributed through almost every item of operating expense. Conducting Transportation items show handsome decreases as the result of an increased train load of about 16%. Expenditures for Maintenance of Equipment and Maintenance of Way have also diminished, but the stockholders may be assured that the property has been fully maintained, and that economies have been made either by the employment of better methods or where appearances could be sacrificed for actual necessities. A large sum of money was spent during the year, out of operating expenses for reballasting and for heavier rail; and considerable sums, as will appear in the detailed statements, have been charged to operating expenses, and appropriated out of Surplus Earnings, for new Equipment, for Car Shops at Decatur, for double track between Sangamon and Decatur, and between Knights and Taylorville; also for necessary yard improve-

ments at Detroit, Chicago, St. Louis, Kansas City, Decatur and other minor points. The reports of the General Manager, the General Traffic Manager and the Fourth Vice-President, enclosed herewith, are referred to for details in regard to all of these matters.

In a general way, your Directors feel that the results of the year's operations have been most satisfactory, and that the stockholders are to be congratulated on the condition and prospects of the Company.

During the last fiscal year a considerable increase in the freight facilities at St. Louis and Chicago was made and property purchased at Detroit and Buffalo for increased facilities at these points. We have already begun to realize the benefits of the expenditures made at Chicago and St. Louis and the management feels that there is great opportunity for further growth at these larger cities. The Wabash is also beginning to feel the benefit of the Pittsburg extension, and it is hoped that the next fiscal year will reflect largely the result of the heavy expenditures at Pittsburg. The terminal improvements at St. Louis, Quincy, and at Chicago (in part), and to be made at Detroit and Toledo, have been thus far financed by the sale of Wabash Railroad Company First Lien Four Per Cent Terminal Gold Bonds; part of the issue of $10,000,000 which were authorized under date of January 1, 1904. There were sold during the fiscal year $1,332,000 of these Terminal Bonds, and the total amount outstanding at the present time is $3,555,000.

During the month of June, just before the close of the fiscal year, there were sold $6,180,000 of Ten Year Four and One-half Per Cent Equipment Notes. These Equipment Notes are to pay for eighty locomotives and six thousand cars, deliveries of which are to be made during the months of July to December, inclusive.

It will be noted that over and above Fixed Charges, Equipment Obligations and Improvements charged to Operating Expenses, in the first six months, the Company

earned in round figures $1,300,000 Surplus, which was appropriated by your Board to apply against the cost of new equipment, and that in the last six months, in addition to similar items (which embrace somewhat larger charges for Betterments included in Operating Expenses) the Company earned a surplus of $509,332.79, which was credited to Profit and Loss account. Hence, while Profit and Loss account showed a deficit at the close of the last fiscal year of $515,419.77, it now shows, by reason of this and other credits, a credit balance of $248,200.01.

It seems appropriate at this time to submit briefly to the holders of stock and debenture bonds of the Company certain considerations which have been of growing importance to their interests and which seem to the management to be now of controlling importance.

Certain definite and settled conditions have resulted from the vast consideration which has been given in this country to the relations between the public and the railroads. These conditions may fairly be deduced from the nature of popular demands which have reached the concrete form of further federal legislation. Public requirements have become clearly imperative that rates shall be fixed, stable and universal in their application and that facilities shall be adequate and impartially provided. As a just correlative, however, there seems to be now existing a wider and fairer tolerance of rates remunerative for the service rendered. The management is not apprehensive of serious reduction of the present scale of rates (which in our territory are very low), but it is apprehensive that unless ample provision is made for considerable capital outlays, the Company will not be able to fully meet its obligations to the public in the way of facilities furnished, or to gain the greatest measure of profit from the operation of the property. In short, it is believed that the tendency in rates is toward just, but fixed standard; that the competition of the future will be in the character of service and facilities offered to the

public, and that the profits of operation must grow or be reduced and disappear in the measure in which service and facilities are advanced, or suffered to halt and decline.

It must be remembered that the lines of the Wabash Company traverse a zone of dense traffic, handled on a basis of rates normally so low as to absolutely require ample and perfect facilities for economical operation if operation is to be, and continue to be, profitable. Moreover this is an era of revolutionized views of what must constitute railroad efficiency, and vast expenditures of capital are being made, to conform railroad plants to modern standards. Competing lines, great systems to the north and south of your property, have had the benefit of large and continued capital expenditures while the Wabash Company, with its debenture mortgage as an obstruction to every important source of new capital, has been seriously handicapped in this respect, restricted, as it has been, to its surplus earnings as its almost exclusive capital fund and with this fund limited in its application by the provisions of the mortgage.

The management has not been indifferent to the disappointment from year to year of the expectations of the debenture bondholders, but not only has the application of surplus revenue been necessary in the effort to keep pace with competitors in facilities furnished and to meet the growing demands of the public, but these revenues, conditioned in their use by the terms of the mortgage, have been insufficient to fully meet these needs in the past and are wholly inadequate to enable your company to follow the great strides now being taken by competing systems.

In view of these considerations the management is constrained to urge upon stockholders and debenture mortgage bondholders the importance of the provision made in the plan, which is now pending for their consideration, to meet the immediate and future capital requirements of the Company and to enable the Company not only to

increase the profits of operation but to make these profits distributable.

As bonds under the new mortgage embraced in the pending plan will be reserved for the retirement of existing liens, equipment obligations and notes, in addition to the reservation for exchange of the debenture bonds, the provision through the remaining bonds for the improvement, equipment and extension of the property and for required additions to its terminal and other facilities will be by no means excessive to cover the future requirements of your great and growing property.

Owners of the property must appreciate that a neglect to furnish needed facilities or equipment not only drives business away to our competitors, but invites hostile legislation and criticism, whereas there is every certainty that money wisely spent in such added facilities will, by the increase in earnings it will bring, render a full return on the investment and in addition greatly enhance the value of the existing property. Indeed, our earnings now, some $10,000 per mile, ought, with an intelligent expansion of our facilities, be readily increased to even double that figure.

As for the coming year the prospects are good. The management estimate that Gross Earnings will increase very considerably, with a proportionate increase in Net Earnings. The extent to which Surplus Earnings must be drawn upon for necessary Betterments will depend, as already explained, very largely upon the action of the holders of Debenture Bonds A and B and of the stockholders in the matter, which is now before them for consideration.

The Board wishes to express its appreciation to officers of the Company and other employes for their loyal and effective work in the company's interests.

By order of the Board of Directors,

F. A. DELANO,

Chicago, September 30, 1906. *President.*

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Report of the General Manager.

St. Louis, Mo., September 8th, 1906.

Mr. F. A. Delano, *President.*

Dear Sir—During the year ending June 30th, 1906, the Engineering and Maintenance of Way Departments have been reorganized, the Locomotive and Car Departments have been consolidated, the Fuel and Store Departments have been converted into a Supply Department with jurisdiction over fuel, supplies, stationery and material; the Buffalo and Detroit Divisions, also the St. Louis and Western Divisions have been consolidated—these and other changes, careful methods, close scrutiny and rigid economy have greatly reduced the cost of supervision and operating expenses generally without impairing the efficiency of the institution.

A large reduction in passenger mileage was made by taking off unnecessary trains that were not paying expenses, thus improving the showing of the balance of the trains.

The following statement shows the cost per mile for Maintenance of Way and Structures during the fiscal year just ended as compared with the fiscal years ending June 30th, 1904 and 1905.

COST PER MILE—MAINTENANCE OF WAY AND STRUCTURES.

	Year Ending June 30th	Total Maint. of Way	Cost Per Mile	Maint. of Way Excluding Additions and Improvements	Cost Per Mile
Wabash (Proper)...	1904	$3,400,297 86	$1,587 96	$2,589,730 91	$1,209 42
	1905	3,580,372 65	1,672 06	2,996,819 94	1,399 53
	1906	2,744,400 81	1,281 65	2,110,939 34	985 82
Leased Lines					
Buffalo Division.....	1904	244,074 77	886 58	244,074 77	886 58
	1905	337,233 10	1,224 97	337,233 10	1,224 97
	1906	262,327 49	952 88	262,327 49	952 88
Moberly to Hannibal	1904	30,268 65	434 27	30,268 65	434 27
	1905	82,266 23	1,180 29	82,266 23	1,180 29
	1906	95,993 41	1,377 24	95,993 41	1,377 24
Milan to Toledo.....	1904	6,966 72	225 46	6,966 72	225 46
	1905	7,633 61	247 04	7,633 61	247 04
	1906	6,299 83	203 88	6,299 83	203 88
Total.....	1904	$3,681,608 00	$1,462 58	$2,871,041 05	$1,140 57
	1905	4,007,505 59	1,592 05	3,423,952 88	1,360 22
	1906	3,109,021 54	1,235 11	2,475,560 07	983 46

The following statement shows a comparison of the average cost of repairs per locomotive, per passenger car and per freight car (including work cars) for the fiscal years ending June 30th:-

	1904.	1905.	1906.
Locomotives.....	$2,800 47	$2,789 73	$2,037 17
Passenger cars.....	833 74	884 40	597 14
Freight cars.....	44 20	78 10	49 97

NOTE—The reason for the abnormally high cost per freight car during the fiscal year ending June 30th, 1905, was on account of 3,045 cars being sent to the shops of the American Car & Foundry Co. to be repaired or rebuilt, the entire expense, $468,121.57, having been included in operating expenses. No cars were sent to the American Car & Foundry Co. for repairs during the fiscal year just ended. The average cost per freight car does not include 999 coal cars which are rented so and maintained by the West Side Belt. All of the above averages are based on straight maintenance and do not include any payments for new equipment.

In a general way the buildings, structures and all other property has been well maintained, and the following statement shows Additions and Improvements and Extraordinary Repairs and Renewals included in Operating Expenses during the last fiscal year in comparison with the two previous fiscal years. Also statements showing:

Miles of Road Operated (there having been no change in the main track mileage during the past year);

Transportation Department statistics;

Maintenance of Way Department statistics;

Locomotive and Car Department statistics;

Telegraph Department statistics.

Wabash Employes' Hospital Association.

Respectfully,

HENRY MILLER,
General Manager.

ADDITIONS AND IMPROVEMENTS INCLUDED IN OPERATING EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Remodeling Yards, North Market Street, St. Louis	.....	.....	$ 18,533 95
New Second Track, Knights to Taylorville	.....	.....	8,033 52
New Second Track, Sangamon to Decatur	.....	.....	100,000 00
Additions to Terminals, Randolph	.....	.....	6,045 21
New Car Shops, Decatur	.....	.....	450,000 00
One Clam Shell Unloader for Coal Chutes, Decatur	.....	.....	5,300 00
Passenger Train Electric Lighting Plant, St. Louis	.....	.....	4,880 95
New Passenger Depot, Mexico	.....	.....	6,241 81
New Transfer Table Car Shops, Moberly	.....	.....	8,052 22
Appropriation for New Equipment	.....	.....	400,000 00
Filling and Renewing Bridges	.....	.....	51,977 00
Crossings, Crossing Signals and Interlocking	.....	.....	11,667 75
River Protection	.....	.....	5,467
Ballasting	.....	.....	10,762
Passenger and Freight Stations, Shops and other Buildings	.....	.....	15,824 03
New Tools	.....	.....	1,964 60
Water and Fuel Stations	.....	.....	3,633 14
Total	.....	.....	$1,108,383 58

EXTRAORDINARY REPAIRS AND RENEWALS INCLUDED IN OPERATING EXPENSES.

American Car & Foundry Co., 12 Comb. Passenger and Baggage Cars and 10 Baggage Cars	.....	.....	$ 30,312 00
American Car & Foundry Co., 14 Coaches, 7 Chair Cars and 1 Dining Car	.....	.....	48,177 96
American Car & Foundry Co., 11 Cars for Banner Blue Trains	.....	.....	30,523 08
American Car & Foundry Co., 500 Flat Cars	.....	.....	75,952 32
American Car & Foundry Co., 500 Coal Cars	.....	.....	76,389 36
American Car & Foundry Co., 1,000 Coal Cars	.....	.....	152,377 44
American Car & Foundry Co., 150 Furniture Cars	.....	.....	40,596 12
American Car & Foundry Co., 500 Box Cars and 200 Furniture Cars	.....	.....	49,816 [illegible]
American Car & Foundry Co., 500 Coal Cars	.....	.....	36,526
Freight Cars Equipped with Air Brakes	.....	.....	14,989 35
Filling and Renewing Bridges	.....	.....	55,600 97
Crossings, Crossing Signals and Interlocking	.....	.....	255 50
Ballasting	.....	.....	3,468 64
Passenger and Freight Stations, Shops and other Buildings	.....	.....	21,545 99
Water and Fuel Stations	.....	.....	6,774 88
Repairing and Renewing Telegraph Lines	.....	.....	6,227 51
Building, Repairing and New Equipment	.....	.....	22,852 34
Operating Ditcher	.....	.....	2,422 50
Expense Account High Water	.....	.....	2,264 08
Total	.....	.....	$ 677,067 16
Total Additions and Improvements and Extraordinary Repairs and Renewals included in Operating Expenses	$2,097,436 98	$2,169,277 28	$1,785,450 74

6805

BOUND CLOSE IN CENTER

9089

3442

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From.	To.	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Detroit	Delray			4.6	4.6			4.6	10.7	5.0	6.9	31.8
Delray	Montpelier	92.4			92.4	2.5			48.0			142.9
Montpelier	Clarke Junction	149.5			149.5				58.2			277.7
Clarke Junction	C. & W. I. Junction			17.6	17.6			17.6				35.2
Toledo	Milan			30.9	30.9			1.8			19.2	52.0
Toledo	Tilton	252.4			252.4	8.8			138.6		2.3	402.1
Maumee	Montpelier	49.6			49.6				10.9			93.5
Montpelier	Butler	17.5			17.5				1.4			18.9
Butler	New Haven	25.7			25.7				8.3			34.0
Attica	Covington	14.8			14.8				2.8			17.6
Chili	Peru Junction								7.7			7.7
Tilton	Decatur Depot	71.2			71.2	13.2			40.5			124.9
Decatur	E. St. Louis Frt. House	110.0			110.0	30.6			70.7			211.3
Bridge Junction	St. Louis Union Station			3.8	3.8			3.8				7.6
Sidney	Champaign	11.7			11.7				2.2			13.9
Edwardsville	Edwardsville Junction	2.2			2.2				1.3		1.0	4.4
Chicago	C. & W. I. Junction			8.0	8.0			8.0	4.1			20.1
C. & W. I. Junction	Effingham	205.0			205.0	10.4			75.7			291.1
Shumway	Altamont	9.4		0.9	10.3				0.8			10.6
Forrest	Fairbury Junction			6.2	6.2							6.2
Fairbury Junction	Streator	30.9			30.9				5.4	2.0		28.3
Decatur Depot	Aladdin	136.9			136.9				48.3			185.2
Aladdin	North St. Hannibal		2.9		2.9				1.5			4.4
North St. Hannibal	Union Depot, Hannibal			0.4	0.4				0.5			0.9
Bluffs	Camp Point	39.8			39.8				4.3			44.1
Camp Point	Wabash Junction, Quincy			22.7	22.7				0.2			22.9
At Quincy		0.9			0.9				3.5			4.4
East Hannibal	Quincy			16.2	16.2						0.9	17.1
Clayton	Elvaston	34.5			34.5				1.7			36.2
Elvaston	Keokuk			7.8	7.8				1.0			8.8
Maysville	Pittsfield		6.2		6.2				1.1			7.3
Total		1254.4	9.1	119.1	1382.6	67.5		35.8	548.8	7.0	30.4	2072.1

NOTE—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles "owned" between Edwardsville Junction and Edwardsville Crossing, which is leased to the Illinois Terminal Railroad Company.

LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Tayon Av., 18th St.	23d St., St. Louis	0.4			0.4							0.4
Union Station, St. Louis	23d St., St. Louis			0.7	0.7							0.7
23d St., St. Louis	Harlem	274.6			274.6	6.2			113.2			394.0
Carr St., St. Louis	Ferguson	10.7			10.7	5.1			31.5			47.3
Franklin Av., St. Louis	N. Market St., St. Louis								1.8			1.8
Carr St., St. Louis	Olive St., St. Louis			0.5	0.5						0.4	0.9
Moberly	Ottumwa	131.3			131.3				16.5			147.8
Moulton Junction	Albia	28.3			28.3				2.6			30.9
Albia	Albia Connection			0.2	0.2						0.6	0.8
Albia	Chesterfield	65.8			65.8				9.4			75.2
Chesterfield	Des Moines			2.4	2.4							2.4
Centralia	Columbia	21.6			21.6				1.2			22.8
Maryville Junction	Empire Coal Co.								13.0			13.0
Moberly	Hannibal			69.7	69.7						8.5	78.2
Harlem	Kansas City			1.5	1.5				3.8			5.3
Wabash Yards	Bridge J'ct'n, Kansas City							0.4				0.4
Brunswick	Chillicothe	38.3			38.3				3.4			41.7
Chillicothe	Pattonsburg		41.4		41.4					3.7		45.1
Pattonsburg	Council Bluffs	143.7			143.7				22.6			166.3
Wabash Connection	Council Bluffs, U. D.			0.3	0.3							0.3
Council Bluffs	Omaha			2.8	2.8							2.8
Salisbury	Glasgow	15.4			15.4				0.9			16.3
Excelsior Springs Junction	Milwaukee Junction	9.7			9.7				0.7			10.4
Total		739.8	41.4	78.1	859.3	11.3		0.4	220.6	3.7	9.5	1104.8

4089

3443

LINES EAST OF THE DETROIT RIVER.

DESCRIPTION OF LINES.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Joint Trackage.	Total	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Detroit	Black Rock	.....	.....	227.1	227.1	.....	.....	81.1	.....	.....	83.4	391.6
Welland Junction	Suspension Bridge	.....	.....	17.8	17.8	.....	.....	8.3	.....	.....	36.4	62.5
Suspension Bridge	Buffalo	.....	.....	25.6	25.6	.....	.....	5.0	.....	.....	8.9	39.5
Black Rock	International Junction	.....	.....	4.8	4.8	.....	.....	4.5	.....	.....	.....	9.3
Total	.....	.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	128.7	502.9

Note.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

RECAPITULATION.

MILES OF ROAD OPERATED.

DESCRIPTION OF LINES.	1st Main Track.				2d Main Track.			Side Tracks.			Totals.
	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Lines East of the Mississippi River	1254.4	9.1	119.1	1382.6	67.5	.....	35.8	548.8	7.0	30.4	2072.1
Lines West of the Mississippi River	739.8	41.4	78.1	859.3	11.3	.....	0.4	220.6	3.7	9.5	1104.8
Lines East of the Detroit River	.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	128.7	502.9
Total	1994.2	50.5	472.5	2517.2	78.8	.....	135.1	769.4	10.7	168.6	3679.8

The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.2
In Indiana	357.4
In Illinois	745.2
In Missouri	654.0
In Iowa	208.9
In Nebraska	0.6
Total	2517.2

6089

3445

TRANSPORTATION DEPARTMENT.

FREIGHT.	Year ending June 30th, 1903.	1904.	1905.	1906.
Total Loaded Cars moved	1,830,621	1,881,101	1,917,557	2,108,613
Total Empty Cars moved	793,889	803,553	886,475	955,664
Total Loaded and Empty Cars moved	2,624,510	2,684,654	2,804,032	3,064,277
Average Loaded Cars moved per day	5,015	5,153	5,254	5,777
Average Empty Cars moved per day	2,175	2,202	2,428	2,618
Average Loaded and Empty Cars moved per day	7,190	7,355	7,682	8,395
Total Freight Train Mileage	7,284,158	7,551,585	7,782,336	8,384,058
Total Mixed Train Mileage	.....	210,094	207,851	156,186
Average Freight Train Mileage per day	19,957	20,817	21,455	23,397
Total number Freight Trains	86,134	91,251	94,720	98,663
Average number Freight Trains per day	236	250	260	270
Average number Miles run per train, per day	84.6	83.3	82.5	86.7
Average number Loaded Cars per train mile	18.59	18.05	18.05	19.80
Average number Empty Cars per train mile	7.22	6.78	7.40	8.28
Average number Loaded and Empty Cars per train mile	25.81	24.83	25.45	28.08

FREIGHT—Cont.	Year ending June 30th, 1903.	1904.	1905.	1906.
Average number Cars per train mile, reduced to loaded car basis.....	22.9	22.6	22.9	24.8
Total Loaded Car Mileage	135,424,005	140,074,003	144,198,504	169,120,230
Total Empty Car Mileage	52,573,824	52,644,523	59,121,794	70,661,309
Total Loaded and Empty Car Mileage.....	187,997,829	192,718,526	203,320,298	239,781,539
Foreign Loaded Car Mileage	75,534,916	88,221,505	86,246,968	116,219,796
Foreign Empty Car Mileage	26,439,131	27,065,112	29,513,045	41,037,308
Total Foreign Car Mileage	101,974,047	115,286,617	115,760,013	157,257,104
Wabash Loaded Car Mileage	59,889,089	51,852,498	57,951,536	52,906,434
Wabash Empty Car Mileage	26,134,693	25,579,411	29,608,749	29,624,001
Total Wabash Car Mileage	86,023,782	77,431,909	87,560,285	82,524,435
Number of Wabash Cars in Service, exclusive of work trains	16,089	16,039	17,625	17,722
Average number of Wabash Cars on other roads per day.....	7,834	7,624	7,455	9,213
Miles per Car per day, Wabash Cars on Wabash R. R.	28.5	25.2	23.8	26.8
Average number of Foreign Cars on Wabash R. R. per day	8,562	9,179	8,836	10,035
Miles per Car per day, Foreign Cars on Wabash R. R.....	32.6	34.4	35.9	42.9

PASSENGER.	Year ending June 30th. 1903.	1904.	1905.	1906.
Total Passenger Train Mileage	7,715,162	7,936,964	9,447,883	7,530,122
Total number Passenger Trains	82,549	86,625	96,379	81,934
Average number Passenger Trains per day	226	237	264	224
Average number Miles per Train per day	93.5	93.5	99.7	92.1
Average Passenger Train Mileage per day	21,138	22,193	26,321	20,630
Total Mileage Wabash, Baggage, Mail and Express Cars	8,691,319	8,746,068	10,036,499	8,758,389
Total Mileage Wabash, Coaches and Chair Cars	16,670,309	17,527,348	21,245,835	17,159,303
Total Mileage Sleeping Cars	9,234,387	9,883,877	12,387,349	9,888,854
Total Mileage Wabash Dining Cars	1,443,536	1,423,277	1,757,772	1,696,717
Total Mileage, all Cars	37,791,983	39,430,771	48,974,354	39,311,852
Number of Cars of all classes handled	404,055	421,210	491,290	426,685
Average number of Cars of all classes handled per day	1,107	1,154	1,346	1,169
Average number of Cars per train	4.90	4.84	5.07	5.11

Maintenance of Way Department.

NEW STEEL RAIL LAID.

	Year Ending June 30th.			This Yr. Compared with Last Year.	
	1904.	1905.	1906.	Increase.	Decrease
No. Tons 80-lb. New Rail	34,488.0	6,051.9	7,609.6	1,557.7	.....
Miles New Steel Rail Laid	275.0	48.5	61.6	13.1	.....

Note.—Of the rail laid during the fiscal year ending, June 30, 1904, 4,613.7 tons was laid in new second main track on the Decatur Division, and 3,648.5 tons on the Buffalo Division.

MISCELLANEOUS WORK.

	Year Ending June 30th.			This Yr. Comp'r'd with Last Year.	
	1904.	1905.	1906.	Increase.	Decrease.
No. Cross-ties laid, Main Track	872,839	1,135,254	908,238	.....	227,016
" Cross-ties laid, Side Track	167,652	265,516	172,271	.....	93,245
" Sets Switch-ties put in	483	806	539	.....	267
" Miles Track ballasted	222.8	44.4	56.3	11.9	.....
" Miles Track Reballasted		177.5	128.8	.....	48.7
" Miles Fence Rebuilt.	160.4	248.6	158.0	.....	90.6
" Miles Old Fence Repaired	149.1	124.4	87.3	.....	37.1
" Miles New Fence Built	103.9	44.1	17.6	.....	26.5
" Miles Ditching	48.6	29.7	87.4	57.7	.....
" Miles Sidings and Spurs Built	55.7	44.2	39.8	.....	4.4

Note.—Included in the above are 145,019 cross ties, 56 sets switch ties, 62.9 miles of track reballasted, 22.5 miles of fence rebuilt, and 22.5 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; also 19 miles of track ballasted on the Omaha Division.

LOCOMOTIVE AND CAR DEPARTMENT.

Locomotive Equipment.

	Year Ending June 30,		Increase.	Decrease
	1905.	1906.		
Locomotives on hand July 1st...	528	581	53	....
Bought and built during year...	67	.....	.....	67
Sold and scrapped during year	14	7	.....	7
On hand June 30th.	581	574	.....	7
Tractive Power in Lbs. of Engines on Hand June 30th.....	11,759,700	11,664,246	.....	95,454

Locomotive Repairs.

	Year Ending June 30,		
	1904.	1905.	1906.
Locomotives receiving general repairs.....	340	370	304
Locomotives receiving heavy repairs.....	299	324	312
Locomotives receiving light repairs.....	745	819	619
New Driving and Truck Axles..	1,048	1,011	427
Boilers, general repairs.....	103	132	287
Sets Air Brakes	1	2	.....
New Cylinders.....	55	45	19
New Cabs.....	44	65	34
Fire-boxes, new	12	21	28
Fire-boxes, repaired.....	546	509	523
Sets Flues, new.....	47	32	20
Sets Flues, reset.....	381	420	537
New Engine Frames.....	3	10	7
New Main and Side Rods.....	138	132	16
New Tires.....	424	953	374
New Engine and Tender Trucks	70	41	18
New Tank Frames	50	41	24
New Driving Wheel Centers.....	80	151	35
New Engine, Truck and Tender Wheels	4,588	4,528	3,078

3451

DISTRIBUTION OF ENGINE MILEAGE.

	Year Ending June 30th		Increase.	Decrease.
	1905.	1906.		
Freight Train Mileage	7,782,336	8,384,058	601,722	
Mixed Train Mileage	207,851	156,186		51,665
Frt. Double Headers, Pushers and Lights	525,453	708,742	183,289	
Passenger Train Mileage	9,447,883	7,530,122		1,917,761
Pass. Double Headers and Lights	277,664	108,905		168,759
Switching	4,098,945	4,221,386	122,441	
Joint Train Mileage, Buffalo Division	67,722	95,993	28,271	
Miscellaneous, Work Trains, Pay Trains, etc.	606,105	351,302		254,803
Total	23,013,959	21,556,694		1,457,265

EXPENSE OF OPERATING LOCOMOTIVES.

	Year Ending June 30th		Decrease.
	1905.	1906.	
Repairs { Labor	$ 956,187 52	$ 819,776 32	$136,411 20
Repairs { Material	669,905 86	356,693 70	313,212 16
Stores	75,063 77	59,834 34	15,229 43
Fuel (Coal and Wood)	1,975,226 52	1,925,538 85	49,687 67
Engineers and Firemen	1,435,741 15	1,381,058 95	54,682 20
Wiping and Dispatching	225,782 25	194,128 41	31,653 84
Total	$5,337,907 07	$4,737,030 57	$600,876 50

NOTE.—Stores and fuel includes work train expense.

COST PER 100 MILES RUN.

	Year Ending June 30th		Increase.	Decrease.
	1905.	1906.		
Repairs	$7 06	$ 5 46		$ 1 60
Stores	33	28		05
Fuel	8 58	8 93	$0 35	
Engineers and Firemen	6 24	6 41	17	
Wiping and Dispatching	98	90		08
Total	$23 19	$21 98		$ 1 21

6815

	Year Ending June 30th 1905.	1906.
Total engine mileage	23,013,959	21,556,694
Average mileage per engine in service for year..	46,399	45,671
Average monthly mileage per engine in service..	3,866	3,806
Tons of coal consumed	1,368,816	1,368,284
Average cost per ton of coal on tender, including cost of handling	$1 44	$1 41
Average miles run to ton of coal	16.8	15.8

NOTE—Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

3453

CAR EQUIPMENT.

	On hand July 1, 1905.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1906.
PASSENGER.				
Official	5	.....	.....	5
Pay	2	.....	.....	2
Air-Brake Instruction	1	.....	.....	1
Inspection	1	.....	.....	1
Dining	11	.....	.....	11
Parlor	8	.....	1	7
Café	6	.....	.....	6
Postal	34	.....	.....	34
Baggage	70	1	.....	71
Baggage and Mail	13	.....	.....	13
Baggage, Passenger and Mail	3	.....	.....	3
Passenger and Mail	5	.....	.....	5
Combination	57	.....	1	56
Coaches	175	.....	6	169
Chair	59	.....	.....	59
Pacific Express	5	.....	.....	5
Total Passenger	455	1	8	448
FREIGHT.				
Box	9,060	37	124	8,973
Stock	393	.....	9	384
Coal and Flat	8,053	51	70	8,034
Furniture and Rack	445	1	.....	446
Fruit	146	.....	2	144
Refrigerator	100	.....	.....	100
Cinder and Stone	227	.....	8	219
Ballast and Convertible	127	.....	2	125
Company Service	327	1	83	245
Derricks	13	.....	.....	13
Pile Drivers and P. D. Derricks	6	.....	.....	6
Cable	8	.....	.....	8
Ice	8	.....	3	5
Caboose Box	7	.....	1	6
Caboose Standard	264	.....	3	261
Total Freight	19,184	90	305	18,969
Total Passenger	455	1	8	448
Total Car Equipment	19,639	91	313	19,417
Total Frt. Car Capacity, in Tons	713,710	.....	.....	710,180

NOTE.—Total Freight Equipment includes 999 coal cars which are rented to the West Side Belt Railroad and maintained by them.

CARS REPAIRED.

	Year Ending June 30.	Passenger.	Freight.	Total.
Cars Receiving Light Repairs.....	1904	3,233	147,234	150,467
	1905	3,526	182,183	185,709
	1906	5,248	227,182	232,430
Cars Receiving Heavy Repairs...	1904	161	1,791	1,952
	1905	122	2,088	2,210
	1906	175	1,803	1,978
Cars Receiving General Repairs	1904	73	520	593
	1905	84	634	718
	1906	41	653	694
Cars Rebuilt	1904	13	320	333
	1905	13	402	415
	1906	3	393	396
Total.....	1904	3,480	149,865	153,345
	1905	3,745	185,307	189,052
	1906	5,467	230,031	235,498
New Wheels Applied, Cast.....	1904	1,593	12,797	14,390
	1905	1,645	17,454	19,099
	1906	1,056	17,982	19,038
New Wheels Applied, Steel.....	1904	629	.....	629
	1905	896	.....	896
	1906	340	.....	340
Total New Wheels Applied..	1904	2,222	12,797	15,019
	1905	2,541	17,454	19,995
	1906	1,396	17,982	19,378

During the last fiscal year air brakes were applied to 335 freight cars at a cost of $16,586.76, making a total of 16,652, about 88% of the total number of cars so equipped.

No passenger cars were equipped with vestibules or gas during the fiscal year ending June 30th, 1906.

TELEGRAPH DEPARTMENT.

	Year ending June 30		Increase.	Decrease.
	1905.	1906.		
Total Miles of Road with Telegraph Lines	2,153	2,153	.....	.....
Total Miles of Wire assigned to this Company.....	7,192	7,436	244	.....
Total Miles of Wire assigned to Telegraph Company.....	13,624	14,970	1,346	.....
Total Miles Wire used jointly..	747	227	.....	520
Total Miles of Wire.....	21,563	22,633	1,070	

WABASH EMPLOYES' HOSPITAL ASSOCIATION.

	June 30, 1905.	June 30, 1906.
Amount received from Employes	$71.415 90	$65,781 39
Amount received from the Wabash Railroad Co. and from other railroads for care of injured persons not members of the Association	1,996 70	439 14
Amount received from Bank—Interest on deposits	231 31	962 06
Received from Rent of Old Hospital at Peru	100 00	120 00
Total Receipts	$73,743 91	$67,302 59
Expenses	60,241 14	56,159 80
Excess Receipts over Expenditures	$13,502 77	$11,142 79
Balance of Excess Receipts over Expenditures from June 1st, 1884	$48,804 02	$59,946 81

The hospitals at Peru, Ind., Decatur, Ill., and Moberly, Mo., have been well maintained and some improvements added, and an extension of the work, in the way of building a new hospital at St. Louis, is now under contemplation.

The Wabash Railroad Company has, as in the past, contributed to the Association, in the way of expense of administration, collection of contributions and free transportation, both freight and passenger.

A report has been printed, giving full information in detail, as to the operation of the Association during the past year, and copies furnished to all parties interested.

Report of the General Traffic Manager.

St. Louis, Mo., September 12th, 1906.

Mr. F. A. Delano, President:

A report of the various subdivisions of the Traffic Department is submitted herewith:

FREIGHT DEPARTMENT.

GROSS FREIGHT EARNINGS.

Year ended June 30th, 1903	$13,327,478 75
Year ended June 30th, 1904	14,064,656 81
Year ended June 30th, 1905	13,650,185 54
Year ended June 30th, 1906	16,138,466 18

Per cent of inc. as compared with year ending June 30th, 1903, 21.09
Per cent of inc. as compared with year ending June 30th, 1904, 14.74
Per cent of inc. as compared with year ending June 30th, 1905, 18.23

Of the increase of $2,488,280.64 in the year ended June 30th, 1906, as against the preceding year, $2,255,000.00 occurred in the last nine months of the year.

Rate per Ton per Mile.

Year ended June 30th, 1905	(cts) 0.5834
Year ended June 30th, 1906	(cts) 0.5435
Decrease	6.8%

These figures, taken by themselves, are discouraging, but are due to an increase of average haul, rather than to a general decrease in rates, as shown by the following figures:

Average Haul.

Year ended June 30th, 1905	228 miles.
Year ended June 30th, 1906	252 miles.
Increase	10%

This increase in average haul results from our efforts to handle a larger share of freight moving between the

Missouri River and our eastern terminals, and fully offsets the decrease in rate per ton per mile. At the same time we view any material decrease from figures already extremely low, as dangerous to the prosperity of the Company, and trust that they have about reached the lowest point.

PASSENGER DEPARTMENT.

GROSS PASSENGER EARNINGS.

Year ended June 30th, 1903	$6,135,500 85
Year ended June 30th, 1904	7,045,525 29
Year ended June 30th, 1905	8,917,828 77
Year ended June 30th, 1906	6,723,658 43

The above shows a decrease of $2,194,170.34 as compared with the year ended June 30th, 1905, caused largely by the Louisiana Purchase Exposition. The Fair closed December 1st, 1904, but part of the earnings from this business appear in December and January; from the 1st of February to June 30th, passenger earnings show no decrease, but are almost exactly the same.

NUMBER OF PASSENGER TRAIN MILES.

Year ended June 30th, 1904	7,936,964
Year ended June 30th, 1905	9,447,883
Year ended June 30th, 1906	7,530,122

A decrease of 1,917,761 miles as compared with the preceding year, or slightly over 20%, and 406,842 miles less than the year ending June 30th, 1904, or 5.13%.

ADVERTISING AND COMMISSARY DEPARTMENTS.

The Advertising and Commissary Departments have been reorganized and already a very satisfactory showing has been made, in the direction both of economy and of greater efficiency. A determined effort to im-

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prove the dining car and restaurant service is already meeting with gratifying results, and a decreased deficit from these operations.

INDUSTRIAL DEPARTMENT.

An Industrial Department has been organized during the year and efficient work is now being done to locate and provide suitable facilities and service for desirable industries, warehouses, etc.

MAIL.

This department has been reorganized to look after the service given U. S. mail hauled for the Government, with a view to improving the service and increasing the business.

GENERAL.

New agencies have been established at the following points, viz.: Atlanta, Ga., Dallas, Tex., Hannibal, Mo., Indianapolis, Ind., Los Angeles, Cal., Memphis, Tenn., Minneapolis, Minn., Moberly, Mo., Peoria, Ill., and San Francisco, Cal., and we have strengthened our forces at other points.

This department has co-operated with the Operating Department to the end of perfecting a system of fast freight trains between all principal terminals that shall be regularly run on their advertised schedules, and a system of reports by which our customers are promptly advised of the whereabouts of their property, believing such service to be the best solicitor of business under present conditions.

Our passenger trains are running very closely to their schedules, and our equipment has been considerably improved; cars on all runs between Chicago, St. Louis

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and Kansas City being equipped with electric light, etc., but it is hoped that in the near future an appropriation may be made to put all our passenger equipment up to the highest standard.

From a commercial standpoint the prospects for business are excellent and yet the possibilities for its growth along the line and at the larger terminals seem to be determined largely by the ability to furnish equipment and facilities. The Traffic Department is organized to effectively solicit business and I am confident that the business can be increased very materially if the equipment and facilities are supplied.

Respectfully submitted,

D. O. IVES,
General Traffic Manager.

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Report of the Fourth Vice-President.

St. Louis, Mo., September 6th, 1906.

Mr. F. A. Delano,
President.

Dear Sir—

I submit herewith statements of the Accounting Department showing in detail the results of Operation, etc. for the fiscal year ending June 30th, 1906, as follows:

A—Results of Operation.
B—Comparative Statement of Earnings and Expenses.
C—Income Account and Profit and Loss Account.
D—Financial Exhibit.
E—Comparative Statement of Operating Expenses Three Years.
F—Improvements and Payments for Equipment Charged against Income.
G—Train and Mileage Statistics Three Years.
H—Mileage Statistics for Twenty-five Years.
I—Statement of Funded Debt and Interest Charges.
J—Statement of Car and Engine Trust Notes Outstanding.

The Company has no outstanding bills payable except Car and Engine Trust obligations. Vouchers are paid up closely, only the current month's vouchers and pay rolls being unpaid.

Since July 1st, 1905, Mr. D. B. Howard, who had been the Auditor of this Company and its predecessor companies since 1873, retired on account of continued ill health, and was succeeded by Mr. T. J. Tobin, the Assistant Auditor, and on August 12th, 1906, Mr. G. G. Landers, Auditor of Passenger Accounts, died. Mr. Landers had had charge of the Passenger Accounts of this Company and its predecessor companies for nearly thirty-four years and was a faithful and conscientious official.

Very truly yours,

E. B. PRYOR,

6824 *Fourth Vice-President.*

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A

THE WABASH RAILROAD COMPANY.

Results of Operation for the Year Ending June 30, 1906.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Gross Earnings	$23,028,626 68	$24,896,600 10	$35,015,978 70
Operating Expenses	17,688,508 95	20,508,444 55	18,077,887 35
Net Earnings	$5,340,117 73	$4,198,155 55	$6,937,491 35
Taxes	750,158 71	836,632 71	915,906 74
	$4,589,959 07	$3,366,531 84	$6,021,582 61
Miscellaneous Receipts, Interest, Dividends, etc	489,706 07	788,340 17	1,020,514 26
	$5,079,665 14	$4,154,872 01	$7,042,096 97
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	817,205 62	759,872 56	744,100 74
Net Earnings from Operation	$4,262,459 52	$3,344,999 45	$6,297,996 23
Additions and Improvements and other Charges, as per Analysis (2) below	1,050,745 64	1,335,799 67	1,974,152 68
Net Earnings applicable to Interest	$3,211,713 88	$2,009,199 78	$4,323,843 55
Interest on Bonds	3,092,422 72	3,468,672 17	3,814,510 76
Surplus	$119,291 16		$509,332 79
Deficit		$1,459,372 39	
Dividends on Preferred Debenture Bonds	105,000 00		
Net Surplus	$14,291 16		$509,332 79
Net Deficit		$1,459,372 39	

1. Analysis of Joint Track Rentals and Miscellaneous Expenses.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Debit Joint Track Rentals	$964,428 33	$883,623 99	$947,960 22
Credit " " "	151,640 71	136,921 51	211,330 74
Miscellaneous Expenses	$812,787 62	$746,702 48	$736,629 49
	4,408 00	13,170 08	7,471 25
	$817,205 62	$759,872 56	$744,100 74

2. Analysis of Additions and Improvements and Other Charges.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Additions and Improvements, as per Table "F"	$301,446 10	$656,882 95	$110,744 94
Payments for Equipment, as per Table "F"	623,661 11	511,005 82	347,882 22
Appropriation for New Equipment			1,300,000 00
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00	116,666 67
Premium on Gold Equipment Sinking Fund Bonds of 1901	2,568 75	4,893 75	4,543 75
Detroit and Chicago Extension—Sinking Fund			83,333 33
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	23,069 68	63,017 15	27,380 10
	$1,050,745 64	$1,335,799 67	$1,974,152 68

B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
July	$2,000,158 67	$ 2,082,154 11	$ 2,601,084 23
August	2,121,426 47	2,480,786 25	2,251,703 74
September	2,239,688 37	2,609,982 10	2,162,812 68
October	2,206,296 69	2,548,166 61	2,150,222 84
November	1,818,076 77	2,057,814 48	2,060,961 00
December	1,881,094 15	2,082,401 62	2,061,847 00
January	1,771,413 70	1,852,061 81	2,046,053 00
February	1,522,943 28	1,575,771 50	1,940,555 00
March	1,750,620 45	1,872,461 85	2,100,503 00
April	1,794,760 97	1,795,289 49	1,899,408 30
May	1,889,106 88	1,860,201 30	2,018,866 20
June	2,028,040 28	1,934,838 98	2,321,841 71
Total Earnings	$23,023,626 63	$24,696,600 10	$25,015,378 70
Freight	$14,084,656 81	$18,850,185 54	$16,196,466 18
Passenger	7,045,525 29	3,917,826 77	6,723,658 43
Mail	830,928 23	837,068 28	835,984 26
Express	533,703 85	691,736 42	767,057 46
Miscellaneous	548,812 45	599,761 00	550,212 37
Total Earnings	$23,023,626 63	$24,696,600 10	$25,015,378 70
Per cent of Freight Earnings to Total	61.09	55.27	64.51
" " Passenger " "	30.60	35.11	26.88
" " Mail " "	3.61	3.39	3.34
" " Express " "	2.32	2.80	3.07
" " Miscellaneous " "	2.38	2.43	2.20
Operating Expenses (not including Taxes)	$17,683,508 85	$20,503,444 55	$18,077,887 35
Taxes	$750,158 71	$826,623 71	$915,908 74
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	83.02	73.27
Net Earnings (Taxes not deducted)	$5,340,117 78	$4,193,155 55	$6,937,491 35
Per cent of Net to Gross Earnings	23.19	16.98	27.73
Average number of miles operated	2516.7	2,517.2	2517.2
Average Earnings per mile	$9,148 34	$9,811 14	$9,937 78
Average Expenses per mile	7,026 47	8,145 34	7,181 74
Net Earnings per mile	2,121 87	1,665 80	2,756 04

THE WABASH RAILROAD COMPANY.

Income Account—Year Ending June 30, 1906.

To Operating Expenses:—			By Earnings:—		
Maintenance of Way and Structures	$3,109,021 54		Freight Earnings	$18,138,486 16	
Maintenance of Equipment	3,679,948 04		Passenger "	6,723,658 43	
Conducting Transportation	10,629,920 84		Mail "	395,984 26	
General Expenses	658,996 93	$18,077,887 35	Express "	767,057 46	
Net Earnings carried down		6,937,491 35	Miscellaneous Earnings	550,212 37	$25,015,378 70
		$25,015,378 70			$25,015,378 70
To Interest on Bonds		$3,787,650 76	By Net Earnings brought down		$6,937,491 35
Rentals of Leased Lines		28,850 00	Sundry Amounts received for Rent of Tracks, etc.		211,330 74
Rentals of Tracks, Bridges, etc.		947,960 23	Miscellaneous Receipts — Interest, Dividends, etc.		1,020,514 36
Taxes		915,908 74			
Sundry Accounts		34,801 35			
Additions and Improvements		110,744 94			
Payments for Equipment		347,882 22			
Appropriation for New Equipment		1,800,000 00			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		116,666 67			
Premium on Gold Equipment Sinking Fund Bonds of 1901		4,548 75			
Detroit and Chicago Extension Sinking Fund		66,980 00			
Balance carried to credit Profit and Loss		509,332 79			
		$8,169,836 45			$8,169,836 45

Profit and Loss Account—Year Ending June 30, 1906.

To Balance to debit Profit and Loss Account, June 30, 1905, brought forward	$515,419 77	By Balance Net Income for the year ending June 30, 1906, transferred to Profit and Loss Account and applied against the Deficit of last year	$509,332 79
Legal Expenses in Compton and Adelbert College cases	6,548 90	Chicago & Western Indiana R. R. Sinking Fund Payments, July 1, 1905, to June 30, 1906	76,734 28
Balance to credit Profit and Loss, June 30, 1906	248,200 01	Proceeds assessment of General Mortgage Interim Certificates—Sale of First and Second Mortgage Scrip received from the Purchasing Committee	1,674 92
		Damages collected from B. & O. R. R. account grade crossing at St. Joe, Indiana	2,382 35
		Sundry accounts written off	1,488 00
		Insurance collected on Elevator burned at Council Bluffs	11,499 75
		West Side Belt R. R. Co. Rental of 999 Coal Cars	167,054 58
	$770,166 68		$770,166 68

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D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1906.

(Per Condensed Balance Sheet.)

ASSETS.

	1905.	1906.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,910,347 70	$147,224,094 81	$1,313,747 11	
Supplies and Materials on Hand	1,419,258 80	1,380,701 78		38,556 52
Cash on Hand	1,554,589 73	1,500,353 78		54,186 95
Investments in Stocks and Bonds	17,663,368 16	17,856,093 68	192,725 52	
Sundry Accounts Collectible—				
Due from Agents	375,781 67	677,587 58	301,855 91	
From U. S., Carrying Mails	209,513 80	209,658 04	144 24	
Pacific Express Co.	63,983 65	64,923 17	939 52	
Sundry Railroads and Individuals	700,180 12	1,013,857 68	313,677 56	
Bills Receivable	1,975 00	600 00		1,375 00
Advances Fast Freight Lines Account Working Fund	36,940 05	29,348 44		7,591 61
Advances on Account Real Estate in various places (2)	1,089,318 52	3,016,364 67	1,927,046 15	
Loans Receivable	5,000,000 00	5,000,000 00		
Miscellaneous	3,950,352 07	2,913,122 62		1,037,229 45
Balance to Debit Profit and Loss	515,419.77			515,419,77
	$178,489,898 55	$180,886,705 25	$2,396,806 70	

LIABILITIES.

	1905.	1906.	Increase.	Decrease.
Common Stock*	$38,000,000 00	$38,000,000 00		
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (3)	108,887,000 00	109,948,000 00	1,061,000 00	
Interest Due	236,735 75	272,374 50	35,638 75	
Interest Accrued, not Due	799,349 58	796,746 67		2,602 91
Sundry Accounts Payable—				
Vouchers and Pay Rolls	2,956,947 35	2,019,457 16		937,490 19
Sundry Railroads and Individuals	481,157 23	753,350 00	272,192 77	
Taxes Accrued, not due	444,134 11	478,672 91	34,538 80	
Hospital Account	5,538 20	5,536 65		1 55
Bills Payable—				
Notes Payable	250,000 00			250,000 00
Equipment Notes of Long Date	1,980,823 40	1,349,612 90		631,210 50
Proceeds sale Debenture Bonds, Series "B"	369,237 50	369,237 50		
Miscellaneous (4)	78,975 43	944,516 95	865,541 52	
Equipment Fund Account		1,700,000 00	1,700,000 00	
Balance to Credit, Profit and Loss		243,200 01	243,200 01	
	$178,489,898 55	$180,886,705 25	$2,396,806 70	

* Common Stock authorized, $78,000,000.00.
* Common Stock issued, $38,000,000.00.

(1) Increase is due to cost of new Terminals in St. Louis and Quincy, and at Chicago, (Landers Yard), $1,434,347.11, less Gold Equipment Sinking Fund Bonds retired, $100,000.00, and sale of several grain elevators at various points, $10,600.00.

(2) Increase is due to advances on account of property purchased at various points.

(3) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $1,222,000.00, less Gold Equipment Sinking Fund Bonds, retired, $100,000.00; Equipment Gold Bonds, Series A, paid, $34,000.00; Equipment Gold Bonds, Series. B, paid, $27,000.00.

(4) Increase is due to unexpended appropriations for new Car Shops at Decatur and for new Second Track, etc.

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E

THE WABASH RAILROAD COMPANY.

Operating Expenses—Year Ending June 30, 1906.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Repairs of Roadway	$1,950,007 26	$1,781,858 90	$1,415,007 72
Renewals of Rails	188,963 21	424,583 18	149,951 98
do of Ties	421,804 69	634,574 56	450,277 57
Repairs and Renewals of Bridges and Culverts	522,983 43	480,489 47	199,801 53
do do Fences, Road C., etc	114,243 15	117,273 71	75,312 16
do do Buildings and Fixtures	421,079 68	524,548 83	226,338 64
do do Docks and Wharves	7,364 43	12,285 72	8,443 18
do do Telegraph	51,332 82	26,311 10	22,336 43
Stationery and Printing	3,104 67	4,694 14	1,398 64
Other Expenses	774 66	896 00	151 71
New 2nd Track Sangamon to Decatur	.....	.....	100,000 00
" Car Shops, Decatur	.....	.....	450,000 00
Total	$3,661,008 00	$4,007,505 59	$3,109,021 54

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Superintendence	$ 98,726 73	$ 100,829 20	$ 98,304 75
Repairs and Renewals of Locomotives, Passenger	520,150 07	551,633 98	358,832 77
do do Locomotives, Freight	902,490 46	995,275 59	817,637 25
do do Passenger Cars	356,425 25	394,442 20	289,609 36
do do Freight Cars	744,499 80	1,381,651 07	879,149 86
do do Work Cars	40,214 16	43,465 19	24,218 08
do do Marine Equipment	34,671 67	7,125 20	16,330 33
do do Shop Machinery & Tools	223,079 13	228,836 78	116,429 49
Stationery and Printing	8,288 32	9,263 86	6,346 18
Other Expenses	152,859 43	176,885 94	152,424 57
Payments Account New Equipment	391,646 66	685,789 42	540,665 40
Appropriation for New Equipment	.....	.....	400,000 00
Total	$3,473,001 68	$4,575,148 43	$3,679,948 04

CONDUCTING TRANSPORTATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Superintendence	$ 304,209 54	$ 336,278 80	$ 317,859 96
Engine and Roundhouse Men	1,665,164 17	1,792,190 75	1,706,985 06
Fuel for Locomotives	1,860,990 52	1,955,830 90	1,918,296 53
Water Supply for Locomotives	103,778 32	114,621 12	99,353 79
Oil, Tallow and Waste, for Locomotives	67,787 20	76,816 11	66,891 89
Other Supplies for Locomotives	42,184 58	32,659 02	22,083 16
Train Service	1,147,334 85	1,232,592 53	1,126,425 05
Train Supplies and Expenses	379,474 53	520,225 34	371,822 77
Switchmen, Flagmen and Watchmen	719,732 08	757,223 34	698,302 09
Telegraph Expenses	340,315 23	403,836 87	345,736 14
Station Service	1,258,612 49	1,358,636 80	1,385,157 36
Station Supplies	91,522 62	115,315 93	89,918 19
Switching Charges—Balance	.....	.....	24,700 24
Car Mileage—Balance	453,959 46	548,018 47	530,307 75
Hire of Equipment—Balance	48,541 77	34,259 75	61,945 97
Loss and Damage	178,926 24	284,140 72	300,025 23
Injuries to Persons	128,307 69	458,413 68	304,839 80
Clearing Wrecks	41,991 63	41,833 17	32,628 05
Operating Marine Equipment	62,370 37	68,373 97	66,280 22
Advertising	100,724 79	136,827 22	73,555 13
Outside Agencies	523,175 66	536,328 77	532,995 08
Commissions	11,028 36	11,729 77	17,981 49
Stock Yards and Elevators	.....	.....	.....
Rents for Tracks, Yards and Terminals	211,478 19	211,591 79	346,472 48
do of Buildings and Other Property	97,289 64	81,415 01	109,301 85
Stationery and Printing	135,655 74	139,598 20	115,247 04
Other Expenses	4,102 62	6,914 31	5,308 52
Total	$9,978,628 79	$11,255,672 39	$10,629,920 84

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E—*Continued.*

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—*Continued.*

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Salaries of General Officers	$103,539 88	$117,496 10	$117,641 79
do of Clerks and Attendants	280,873 43	284,867 97	283,326 00
General Office Expenses and Supplies	15,122 46	22,901 14	24,741 08
Insurance	50,523 56	61,618 87	67,514 82
Law Expenses	99,714 40	150,285 78	122,411 69
Stationery and Printing (General Offices)	31,261 97	33,860 93	29,388 80
Other Expenses	15,575 67	25,107 91	13,972 75
Total	$550,270 38	$695,118 14	$658,996 93

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Maintenance of Way and Structures	$3,681,606 00	$4,007,505 50	$ 3,109,021 54
Maintenance o 'pment	3,473,001 68	4,575,143 43	3,679,948 04
Conducting Tra tation	9,978,628 79	11,255,672 39	10,629,920 84
General Expenses	540,270 38	695,118 14	658,996 93
Total Operating Expenses	$17,683,506 85	$20,503,444 55	$18,077,887 35

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F

THE WABASH RAILROAD COMPANY.

Additions and Improvements, Year Ending June 30, 1906.

New Side Tracks	$ 69,792 77
Cost of Coal Run Coal Co. Track, Streator, Ill	25,000 00
Cost of Land, Ferdinand St., Detroit	15,952 17
Total	$110,744 94

Payments for Equipment, Year Ending June 30, 1906.

Payments account 50 Locomotives	$176,882 22
Payments account 67 Locomotives, Series A	84,000 00
Payments account 999 Coal Cars, Series B	87,000 00
Total	$347,882 22

G

THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Number of Freight Trains	91,251	94,720	98,663
Number of Freight Train Miles	7,551,586	7,782,336	8,384,058
Number of Mixed Train Miles	210,094	207,851	156,186
Earnings per Freight Train Mile	$1.8121	$1.7084	$1.8897
Tons of Revenue Freight Handled	9,698,986	10,267,436	12,016,925
Tons of Company Freight Handled	2,013,016	1,959,999	1,694,962
Total Tons of Freight Handled	11,712,011	12,227,435	13,711,887
Tons of Revenue Freight Handled One Mile	2,175,680,058	2,339,770,238	2,989,200,493
Tons of Company Freight Handled One Mile	224,937,904	191,820,687	163,432,491
Total Tons of Freight Handled One Mile	2,400,617,962	2,531,590,925	3,122,632,984
Rate per Ton per Mile (Revenue Tons)	Cts. 0.6464	Cts. 0.5834	Cts. 0.5435
Cost per Ton per Mile (Revenue Tons)	" 0.5400	" 0.5409	" 0.3980
Loaded Freight Cars One Mile	140,074,003	144,198,504	169,120,230
Empty Freight Cars One Mile, including Caboose Cars	52,644,593	59,121,794	70,661,309
Average Number of Cars per Freight Train Mile, including Caboose Cars	24.83	25.45	29.08
Percentage of Empty Freight Cars One Mile to Total, excluding Caboose Cars	24.16	26.16	26.86
Average Number of Tons Per Train (Revenue Freight)	280.31	292.83	347.67
Average Number of Tons per Train (Company Freight)	28.98	24 01	15.14
Average Total Number of Tons Per Train	309.29	316.84	366.81
Gross Earnings per Loaded Freight Car Mile	Cts. 10.04	Cts. 9.47	Cts. 9.54
Number of Passenger Trains	86,625	96,379	81,934
Number of Passenger Train Miles	7,936,964	9,447,883	7,530,122
Earnings per Passenger Train Mile	$1.0533	$1.1005	$1.1020
Number of Revenue Passengers	6,183,474	6,615,459	5,556,687
Number of Revenue Passengers One Mile	389,283,834	534,569,484	360,013,901
Rate per Revenue Passenger One Mile	Cts. 1.908	Cts. 1.668	Cts. 1.868
Cost per Revenue Passenger One Mile	" 1.607	" 1.468	" 1.739
Passenger Car Mileage	18,736,120	23,829,004	18,379,555
Sleeping Car Mileage	9,883,877	12,387,349	9,888,854
Other Car Mileage	10,810,774	12,758,001	11,043,443
Total Car Mileage	39,430,771	48,974,354	39,311,852
Average Number Cars per Passenger Train Mile	4.84	5.07	5.11
Gross Earnings of Passenger and Sleeping Cars, per Mile	Cts. 24.62	Cts. 24.62	Cts. 23.79
Total Traffic Train Miles	15,698,643	17,428,070	16,070,366
Earnings per Traffic Train Mile	$1.4425	$1.3922	$1.5313
Operating Expenses per Traffic Train Mile	1.1264	1.1758	1.1249
Net Earnings per Traffic Train Mile	0.3161	0.2164	0.4064

THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Five Years.

Year.	Mileage Operated.	Number of Freight Trains.	Number of Freight Train Miles.	Number of Mixed Train Miles.	Earnings per Freight Train Mile.	Tons of Revenue Freight Handled.	Tons of Company Freight Handled.	Total Tons of Freight Handled.	Tons of Revenue Freight Handled One Mile.	Tons of Company Freight Handled One Mile.	Total Tons of Freight Handled One Mile.	Rate per Ton per Mile. (Revenue Tons.)	Cost per Ton per Mile. (Revenue Tons.)	Loaded Freight Cars One Mile.	Empty Freight Cars One Mile Inc. Caboose.	Average Number Cars per Freight Train Mile Inc. Caboose.	Percentage of Empty Freight Cars One Mile to Total, Excluding Caboose.	Average Number of Tons per Train Revenue Freight.	Average Number of Tons per Train Company Frt.
1882	3,401.6	.....	8,599,680	.....	$1 38.00	5,911,012	.....	.....	1,247,611,320	.....	.....	0.951	0.694	.....	.....	.....	.....	.....	.....
1883	3,587.5	.....	9,486,967	.....	1 26.28	5,859,566	.....	.....	1,263,790,523	.....	.....	0.948	0.787	.....	.....	.....	.....	.....	.....
1884	3,582.5	.....	9,612,370	.....	1 22.50	6,358,761	.....	.....	1,373,842,462	.....	.....	0.857	0.737	.....	.....	.....	.....	.....	.....
1885	2,912.8	.....	7,726,106	.....	1 22.98	5,558,571	.....	.....	1,183,951,136	.....	.....	0.902	0.699	.....	.....	.....	.....	.....	.....
1886	2,191.4	.....	6,210,422	.....	1 45.11	5,486,067	.....	.....	1,301,685,716	.....	.....	0.819	0.605	.....	.....	.....	.....	.....	.....
1887	1,989.5	.....	5,767,140	.....	1 59.33	6,409,301	.....	.....	1,075,047,063	.....	.....	0.855	0.623	.....	.....	.....	.....	.....	.....
1888	1,950.1	.....	5,958,518	.....	1 34.98	6,231,879	.....	.....	1,072,298,610	.....	.....	0.750	0.638	.....	.....	.....	.....	.....	.....
Year end'g June 30th																			
1889	1,944.4	.....	6,102,092	.....	1 35.55	6,267,780	.....	.....	1,094,717,509	.....	.....	0.756	0.627	.....	.....	.....	.....	.....	.....
1890	1,922.3	.....	7,286,032	.....	1 27.07	6,832,358	.....	.....	1,430,197,332	.....	.....	0.647	0.479	.....	.....	.....	.....	.....	.....
1891	1,922.9	.....	6,611,126	.....	1 34.03	6,256 064	.....	.....	1,209,179,055	.....	.....	0.733	0.563	.....	.....	.....	.....	.....	.....
1892	1,916.8	.....	7,501,799	.....	1 30.65	6,928,051	.....	.....	1,390,510,161	.....	.....	0.705	0.554	.....	.....	.....	.....	.....	.....
1893	1,890.0	.....	7,567,247	.....	1 27.09	7,036,387	.....	.....	1,409,033,492	.....	.....	0.663	0.550	.....	.....	.....	.....	.....	.....
1894	1,935.4	.....	6,258,093	.....	1 22.35	5,414,994	.....	.....	1,097,585,279	.....	.....	0.698	0.607	.....	.....	.....	.....	.....	.....
1895	1,935.4	.....	6,245,391	.....	1 27.02	5,811,557	.....	.....	1,100,976,262	.....	.....	0.721	0.560	.....	.....	.....	.....	.....	.....
1896	1,936.2	.....	6,313,782	.....	1 34.32	6,100,710	.....	.....	1,218,795,357	.....	.....	0.696	0.520	.....	.....	.....	.....	.....	.....
1897	1,936.2	.....	5,402,191	.....	1 40.77	5,954,780	.....	.....	1,149,989,024	.....	.....	0.661	0.470	.....	.....	.....	.....	.....	.....
1898	2,061.3	.....	6,306,504	.....	1 35.17	6,382,631	.....	.....	1,348,693,174	.....	.....	0.624	0.447	.....	.....	.....	.....	.....	.....
1899	2,277.7	.....	7,101,324	.....	1 29.73	6,987,641	.....	.....	1,666,890,654	.....	.....	0.553	0.421	.....	.....	.....	.....	.....	.....
1900	2,339.5	.....	7,075,158	.....	1 50.06	8,090,220	.....	.....	1,902,981,276	.....	.....	0.568	0.425	.....	.....	.....	.....	.....	.....
1901	2,360.2	.....	6,981,266	.....	1 59.84	8,354,949	.....	.....	1,978,952,453	.....	.....	0.564	0.436	.....	.....	.....	.....	.....	.....
1902	2,438.0	.....	6,841,121	.....	1 71.95	8,578,603	.....	.....	1,947,404,142	.....	.....	0.604	0.463	.....	.....	.....	.....	.....	.....
1903	2,483.3	.....	7,284,158	.....	1 82.97	9,691,514	.....	.....	2,198,073,353	.....	.....	0.606	0.469	.....	.....	.....	.....	.....	.....
1904	2,516.7	91,251	7,551,585	210,094	1 81.21	9,698,995	2,013,016	11,712,011	2,175,680,058	224,937,904	2,400,617,962	0.646	0.540	140,074,003	52,644,523	24.83	24.16	290.31	28.96
1905	2,517.2	94,720	7,782,336	207,851	1 70 84	10,267,436	1,959,999	12,227,435	2,359,770,238	191,820,687	2,551,590,925	0 589	0.541	144,198,504	59,121,794	25.45	26.16	292.83	24.01
1906	2,517.2	98,663	8,384,058	156,186	1 86.97	12,016,925	1,694,962	13,711,887	2,969,200,493	162,432,491	3,132,632,984	0.544	0.398	169,120,230	70,661,809	28.08	26.86	347.67	19.14

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THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-FIVE YEARS—*Continued.*

Year.	Average Total Number of Tons per Train.	Gross Earnings per Loaded Freight Car Mile.	Number of Passenger Trains.	Number of Passenger Train Miles.	Earnings per Passenger Train Mile.	Number of Revenue Passengers.	Number of Revenue Passengers One Mile.	Rate per Revenue Passenger One Mile.	Cost per Revenue Passenger One Mile	Passenger Car Mileage.	Sleeping Car Mileage.	Other Car Mileage.	Total Car Mileage.	Average Number Cars per Passenger Train Mile.	Gross Earnings of Passenger and Sleeping Cars per Mile.	Total Traffic Train Miles.	Earnings per Traffic Train Mile.	Operating Expenses per Traffic Train Mile.	Net Earnings per Traffic Train Mile.
1882	145.07	.....	.....	4,942,209	$0 97.70	4,251,393	166,198,560	2.373	1.804	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1883	123.21	.....	.....	4,866,465	1 00.26	3,905,665	154,727,718	2.498	2.190	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1884	142.92	.....	.....	5,024,882	0 93.70	4,046,577	154,700,993	2.366	2.251	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1885	153.24	.....	.....	4,525,663	0 91.13	3,180,644	128,274,372	2.314	2.247	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1886	177.[illegible]	.....	.....	3,971,677	0 91.63	2,726,166	131,005,562	2.186	2.120	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1887	186.[illegible]	.....	.....	4,103,310	0 97.41	2,802,036	143,762,871	2.212	1.923	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1888	179.96	.....	.....	4,521,425	0 89.78	3,073,231	157,146,634	2.066	1.867	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Year end'g June 30th																			
1889	179 40	.....	.....	4,523,866	0 88.65	3,059,772	153,404,045	2.150	1.939	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1890	196.29	.....	.....	4,475,682	0 88.04	3,115,304	149,183,008	2.130	1.890	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1891	182.90	.....	.....	4,559,766	0 88.16	3,416,076	149,904,208	2.178	1.842	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1892	185.36	.....	.....	4,714,253	0 91.31	3,826,749	170,201,067	2.057	1.839	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1893	186.20	.....	.....	4,805,338	0 91.87	3,934,916	177,119,065	2.009	1.727	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1894	175.39	.....	.....	5,133,272	0 92.51	3,724,674	210,281,487	1.877	1.506	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1895	176.29	.....	.....	4,917,128	0 77.30	3,404,771	139,472,829	2.146	1.979	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1896	193.04	.....	.....	5,019,857	0 81.41	3,542,042	158,966,979	2.038	1.828	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1897	212.87	.....	.....	4,823,060	0 77.37	3,149,170	125,963,860	2.087	1.895	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1898	216.55	.....	.....	5,499,994	0 81.70	3,517,682	180,359,167	1.957	1.774	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1899	255.12	.....	.....	6,270,751	0 79.42	3,751,019	210,592,939	1.897	1.610	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1900	291.02	.....	.....	6,644,720	0 84.03	4,277,735	233,848,065	1.913	1.650	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1901	309.00	.....	.....	7,237,313	0 95.14	4,943,016	264,265,214	1.885	1.558	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1902	316.38	.....	.....	7,691,050	0 91.40	5,109,802	322,708,490	1.791	1.497	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1903	331.29	.....	.....	7,715,162	0 96.84	5,948,913	330,111,942	1.859	1.667	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1904	309.29	10.04	86,825	7,336,964	1 05.32	6,183,474	369,283,534	1.908	1.607	18,736,120	9,883,877	10,810,774	39,430,771	4.84	24.62	15,068,643	$1 44.25	$1 12.64	$0 31.61
1905	316.84	9.47	86,379	9,447,883	1 10.05	6,615,459	534,569,484	1.666	1.468	23,829,004	12,287,349	12,758,001	48,974,354	5.07	24.62	17,438,070	1 39.22	1 17.58	0 21.64
1906	366.81	9.54	81,984	7,530,122	1 19.20	5,555,697	380,013,901	1.568	1.739	18,379,555	9,868,854	11,043,443	39,311,852	5.11	23.79	16,070,366	1 53.13	1 12.49	0 40.64

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THE WABASH RAILROAD COMPANY.

STATEMENT OF FUNDED DEBT AND INTEREST CHARGES.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,011,000 00	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1889	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 3,500,000 00 B 25,500,000 00	5%	Jan. and July.	*
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	3,544,000 00	4%	Jan. and July.	141,760 00
The Wabash R. R. Co., Reg. First Lien 4% Term. Gold Bonds	Jan., 1904	Jan., 1954	11,000 00	4%	Jan. and July.	440 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	672,000 00	5%	May and Nov.	33,600 00
The Wabash R. R. Co., Equipment Gold Bonds, Series B	Nov. 1904	Dec. 1914	739,000 00	4½%	June and Dec.	33,255 00
The Wabash R. R. Co., 5% Collateral Notes	May, 1904	May, 1907	6,160,000 00	5%	May and Nov.	308,000 00
The Wabash R. R. Co., 4½% Gold Notes	May, 1905	May, 1910	7,000,000 00	4½%	May and Nov.	315,000 00
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	2,500,000 00	5%	Mar. and Sept.	125,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1878	Oct., 1908	468,000 00	6%	April and Oct.	28,080 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1891	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	3,173,000 00	3½%	April and Oct.	111,055 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,600,000 00	4%	Jan. and July.	64,000 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1928	100,000 00	4%	Jan. and July.	4,000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1902	May, 1942	200,000 00	4%	May and Nov.	8,000 00
LEASED LINE BONDS.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1878	July, 1908	421,000 00	6%	Jan. and July.	25,260 00
Total			$109,948,000 00			$3,835,450 00

*Interest payable if earned.

NOTE.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $8,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1906.

The total authorized issue of Omaha Division First Mortgage Bonds is $3,500,000.00. The total amount issued and outstanding June 30, 1906, is $3,173,000.00, $327,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.0 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and f the acquisition of additional equipment.

The Wabash Railroad Company Equipment Gold Bonds, Series A., represent an original bonded indebtedness of $840,000.00. Ten p cent of the principal sum, viz., $84,000.00 is payable each year. Amount of bonds retired up to June 30, 1906, $168,000.00.

The Wabash Railroad Company Equipment Gold Bonds, Series B., represent an original bonded indebtedness of $870,000.00. Ten p cent of the principal sum, viz., $87,000.00 is payable each year. Amount of bonds retired up to June 30, 1906, $181,000.00.

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CAR AND ENGINE TRUST NOTES OUTSTANDING

JUNE 30TH, 1906.

American Car & Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 19 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	$ 120,257 84	
American Car & Foundry Company, 500 Coal Cars, Contract of March 9th, 1903, 26 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	165,510 28	
American Car & Foundry Company, 1,000 Coal Cars, Contract of March 9th, 1903, 29 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	368,245 48	
American Car & Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3rd, 1903, 10 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	25,260 00	
American Car & Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 14 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	56,207 62	
American Locomotive Company, 12 Passenger Locomotives, 5 notes outstanding (last one due November 10th, 1908), various amounts	113,391 00	
Baldwin Locomotive Company, 38 Freight and 8 [illegible]ch Locomotives, 10 notes outstanding (last one due November 17th, 1908), for $31,958.50 each	$ 319,585 00	
American Car & Foundry Company, 150 Furniture Cars, Contract of January 28, 1904, 34 notes outstanding (last one due April 19th, 1909), for $3,383.01 each	115,022 34	
American Car & Foundry Company, 11 Passenger Cars, Contract of August 1st, 1904, 26 notes outstanding (last one due August 13th, 1908), for $2,543.59 each	66,133 34	
Total		$1,349,612 90

In addition to the above, we have an operative contract with the American Car & Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1906, the sum of $86,335.12.

Total amount unpaid, June 30th, 1906, $250,708.54.

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FIFTEENTH

ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad

COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1904.

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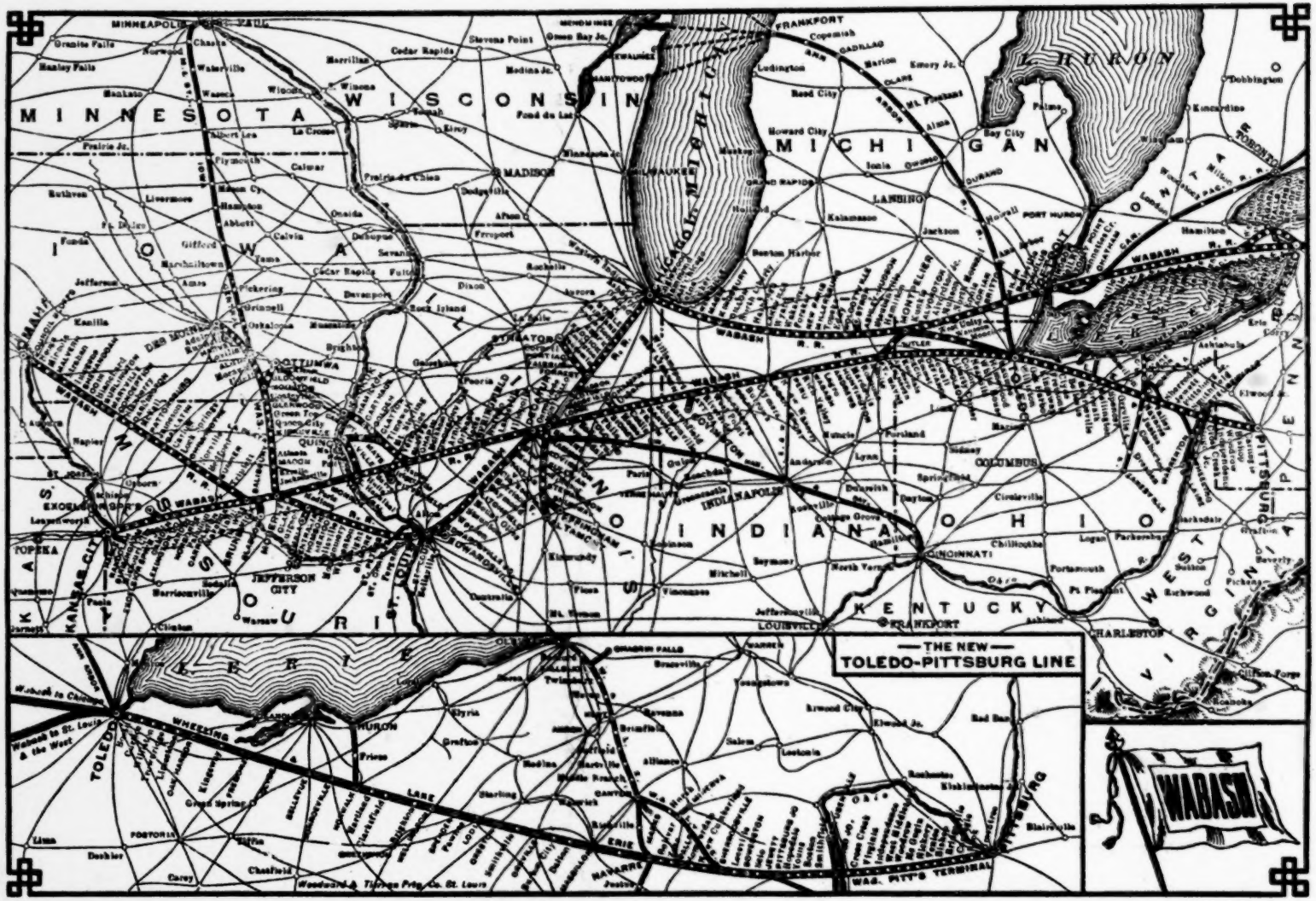
THE NEW
TOLEDO-PITTSBURG LINE
MINNESOTA
WISCONSIN
MICHIGAN
IOWA
ILLINOIS
INDIANA
OHIO
KENTUCKY
MISSOURI
KANSAS
L. HURON
L. ERIE
WABASH
MINNEAPOLIS
MADISON
LANSING
COLUMBUS
INDIANAPOLIS
CINCINNATI
LOUISVILLE
FRANKFORT
CHARLESTON
PITTSBURG
TOLEDO
HURON
JEFFERSON CITY
TOPEKA
OTTUMWA
QUINCY
STREATOR
WAS. PITT'S TERMINAL
Woodward & Tiernan Prtg. Co. St. Louis

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Fifteenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For The Fiscal Year Ending
June 30th, 1904.

ST. LOUIS.
Woodward & Tiernan Printing Co.
1904.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

GEO. J. GOULD, ... *Chairman of the Board.*
J. RAMSEY, JR., ... *President.*
O. D. ASHLEY, ... *Vice-President.*
EDGAR T. WELLES, ... *Vice-President.*
M. KNIGHT, ... *Second Vice-President.*
W. H. BLODGETT, ... *Third Vice-President and General Counsel*
A. C. BIRD, ... *Vice-President.*
E. B. PRYOR, ... *Asst. to the President, Executive Dept.*
H. W. ASHLEY, ... *Asst. to the President, Operative Dept.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
H. L. MAGEE, ... *General Superintendent.*
D. B. HOWARD, ... *Auditor.*
S. B. KNIGHT, ... *General Freight Agent.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
C. B. ADAMS, ... *Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
H. H. WELLMAN, ... *Purchasing Agent and General Storekeeper.*
W. S. NEWHALL, ... *Chief Engineer.*
J. B. BARNES, ... *Supt. Motive Power and Machinery.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
DR. H. W. MOREHOUSE, . . *Chief Surgeon.*
R. J. WOODS, ... *Fuel Agent.*

DIRECTORS.

GEO. J. GOULD,
O. D. ASHLEY,
EDGAR T. WELLES,
HENRY K. McHARG,
CYRUS J. LAWRENCE,
JAMES HAZEN HYDE,
S. C. REYNOLDS,
EDWIN GOULD,
THOS. H. HUBBARD,
JOHN T. TERRY,
RUSSELL SAGE,
WINSLOW S. PIERCE,
JOSEPH RAMSEY, JR.

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FIFTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30, 1904

ST. LOUIS, Mo., October 1st, 1904.

TO THE BOARD OF DIRECTORS,
THE WABASH RAILROAD COMPANY,
MR. GEORGE J. GOULD, *Chairman.*

DEAR SIR:—

The report for the year ending June 30th, 1904, which I have the honor of submitting herewith, while showing a large increase in gross earnings, $1,882,797.69 (this being the seventh year of continuous increases, 1904 showing an

increase of $11,496,839.27 over 1897), also shows that this increase in earnings was offset by a corresponding increase in expenses.

The conditions affecting operating expenses during the past year were, to a certain extent, unusual; in fact, abnormal.

A. In April, 1903, wages of trainmen on the Western Division were advanced twelve and fifteen per cent and promises made which resulted in a similar advance on the Middle Division, these two advances covering two-thirds of the System. In addition, wages of engineers and firemen, shopmen and other classes of labor, were more or less advanced. The total increase in expenses due to these changes in rates of pay and rules of service aggregated about $400,000.00.

B. During January, February and March and part of April we had the severest winter, with lowest temperature and worst storms, all over the System, than ever known in the history of the Company, not only reducing the earnings but largely increasing the expenses of operation.

C. The cost of fuel for the first ten months of the year was higher than ever before, being nearly 30 per cent more than the previous year.

D. The work of preparing the line for the World's Fair traffic was pushed vigorously and added largely to the expense account. The detailed statements of expenses will clearly show what was done in this line.

During the past four years the reduction of grades and improvement of the line between St. Louis and Chicago

have been under way and are now practically completed, so that trains northbound can be made up for a ruling grade of 21 feet per mile instead of from 50 to 60 feet per mile. The cost of the work to date has been $617,300.00 and the results as follows:

Curves removed	18
Degrees of curvature removed	388° 52′
Length of curved line removed	2½ miles.
Mileage of grades changed	31.3 miles.
Line shortened	½ mile.
Highway grade crossings removed	9
Railroad grade crossings removed	1
Train loads increased from an average of 1100 tons to	1850 tons.

During the year, in order to comply with the requirements of the statutes of some of the States through which our System passes, it was necessary to increase the capital stock of the Company to such amount as would make it equal the bonds authorized, and the stockholders, on March 22d, 1904, added $50,000,000.00 to the Common Stock.

THE WABASH PITTSBURGH TERMINAL RAILWAY COMPANY.

In 1901 the stockholders of the Company authorized the officers of the Company to enter into certain trackage and traffic agreements with The Wheeling & Lake Erie Railroad Company and The Pittsburgh, Carnegie & Western Railroad Company to secure the construction of a line of railroad from a point on The Wheeling & Lake Erie Railroad near Jewett, Ohio, to Pittsburgh, with necessary terminals and connecting railways in Pittsburgh, with a close traffic alliance between the three contracting railroads, so as to practically make them one system. This agreement was afterwards modified and the amended agreement provided that the

Wabash and Wheeling & Lake Erie Companies should, if it became necessary so to do, pay 25 per cent (or so much thereof as might be required to meet any deficit on the bonds of The Wabash Pittsburgh Terminal Railway Company) of the gross earnings of either Company from traffic which they received from or delivered to The Wabash Pittsburgh Terminal Railway. This condition puts no burden on either Company, as they will not be required to pay anything unless they have increased earnings on account of the Wabash Pittsburgh Terminal Railway lines.

The Pittsburgh, Carnegie & Western Railroad Company, through consolidation with the Cross Creek Railroad in West Virginia and the Pittsburgh, Toledo & Western Railroad in Ohio, became The Wabash Pittsburgh Terminal Railway Company, and the latter Company has carried out or is carrying out all the obligations assumed by the Pittsburgh, Carnegie & Western Railroad Company.

On July 2d, 1904, the line was opened for through passenger traffic and through train service between St. Louis, Chicago and Pittsburgh by Wabash trains.

The Wabash Pittsburgh Terminal Railway Company also purchased a controlling stock interest in The Wheeling & Lake Erie Railroad, thus owning and controlling some 550 miles of railway lines, reaching from Pittsburgh to Toledo, Cleveland, Wheeling, Steubenville and Zanesville, the greatest freight tonnage territory in the world, the Pittsburgh district alone last year consuming and shipping over 86,000,000 tons of coal, coke, ores, iron, steel, manufactures and merchandise.

A proposition was submitted to your Board for the purchase by the Wabash Company of all the stock of The Wabash Pittsburgh Terminal Railway Company ($10,000,000.00), by the issuance of $10,000,000.00 Wabash common stock in exchange therefor. As the ownership of the stock of The Wabash Pittsburgh Terminal Railway Company carried with it the controlling interest in The Wheeling & Lake Erie Railroad, your Board authorized the purchase, and the exchange of stocks was made.

Your Board, at the same time, authorized the purchase of $6,600,000.00 First Mortgage Bonds of The Wabash Pittsburgh Terminal Railway Company for $6,000,000.00 This purchase was made and paid for through the issuance of a three-year obligation, secured by the $6,600,000.00 of bonds as collateral.

It is confidently expected that the control of these properties and of the traffic secured to the Wabash thereby will add largely to the revenues of the Company.

The outlook for the fiscal year ending June 30th, 1905, is excellent. Our passenger traffic is enormous and will remain so until the end of the Exposition, November 30th, and the freight traffic, while below last year's (1903), is still above 1902, and I look for improvement in it before the end of the year. The gross earnings will exceed $24,000,000.00 for the year.

The condition of the property—tracks, roadbed, bridges, stations, rolling stock and motive power—has been greatly improved during the year. The extent of this work will be shown by the detailed statement herein of principal replacements and improvements.

STATISTICS.

The following statement gives in condensed form the revenues, expenses, charges, etc., for the fiscal year as compared with the previous year:

	1903–1904.	1902–1903.
Total revenue of the Company from all sources was	$23,513,332 70	$21,608,756 88
Expenses of Operation, including taxes, track rentals and miscellaneous	19,250,873 18	17,350,805 40
	$ 4,262,459 52	$ 4,257,951 48
Interest on Bonds	3,092,422 72	3,034,512 60
Net Revenue	$ 1,170,036 80	$ 1,223,438 88
Additions to Property	591,446 10	253,132 15
	$ 578,590 70	$ 970,306 73
Sinking Fund Charges, account new equipment; steamers	$ 459,299 54	$ 564,156 65
	$ 119,291 16	$ 406,150 08
Dividend on Debenture "A" Bonds	105,000 00	210,000 00
Surplus to Profit & Loss Account	$ 14,291 16	$ 196,150 08

The growth of the traffic and revenues since 1897 is shown by the following comparisons:

Year.	Ton Miles.	Passenger Miles.	Gross Earnings.
1897	1,149,989,024	135,963,860	$11,526,787 00
1898	1,365,698,174	180,359,167	13,207,862 00
1899	1,666,830,054	210,592,939	14,393,974 00
1900	1,902,881,278	233,848,065	16,440,990 00
1901	1,978,952,453	264,268,214	17,554,465 00
1902	1,947,404,142	322,708,490	19,053,493 00
1903	2,196,073,383	330,111,942	21,140,829 00
1904	2,175,680,058	349,283,834	23,023,626 00

The increases in different classes of earnings were:

	1897.	1904.	Per cent Increase
Freight	$ 7,604,749 95	$14,064,656 81	84.9%
Passenger	2,837,973 54	7,045,525 29	148.3%
Mails	542,635 09	830,928 23	53.1%
Express	284,706 69	533,703 85	87.4%
Miscellaneous	256,702 00	548,812 45	113.8%
Total	$11,526,787 36	$23,023,626 63	99.8%

REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	1903-1904.	1902-1903.	Increase.
Gross Earnings	$23,023,626 63	$21,140,828 94	$1,882,797 69
Operating Expenses	17,683,508 85	15,815,662 32	1,867,846 53
Net Earnings	$5,340,117 78	$5,325,166 62	$ 14,951 16
Per Cent. of Oper. Exp. to Earnings	76.81	74.81	2.00
Gross Earnings per mile	9,148 34	8,513 20	635 14
Operating Expenses per mile	7,026 47	6,368 81	657 66
Net Earnings per mile	2,121 87	2,144 39	22.52*

EARNINGS.

	Per Cent.	1903-1904.	Per Cent.	1902-1903.	Increase.
Freight	61.09	$14,064,656 81	63.04	$13,327,478 75	$ 737,178 06
Passenger	30.60	7,045,535 29	29.02	6,135,500 85	910,034 44
Mails	3.61	830,938 28	3.39	716,200 09	114,738 14
Express	2.32	533,703 85	2.20	464,645 19	69,058 66
Miscellaneous	2.38	548,812 45	2.35	497,004 06	51,808 39
Total		$23,023,626 63		$21,140,828 94	$1,882,797 69

EXPENSES.

	Per Cent.	1903-1904.	Per Cent.	1902-1903.	Increase.
Maintenance of Way and Structures	20.82	$ 3,681,868 09	23.40	$ 3,700,961 89	$ 19,353 69*
Maintenance of Equipment	19.64	3,473,001 66	19.89	3,114,663 95	358,337 72
Conducting Transportation	56.43	9,978,626 79	53.82	8,511,277 61	1,467,351 18
General Expenses	3.11	550,270 33	3.09	488,759 07	61,511 31
Total		$17,683,508 85		$15,815,662 32	$1,867,846 53

*Decrease.

ANALYSIS OF OPERATION.

Operating expenses increased $1,867,846.53 (11.81 per cent), of this amount $1,467,351.18 was in Conducting Transportation (or 78.55 per cent of the total increase), an increase of 17.24 per cent over 1903.

The principal items of increase in Conducting Transportation were: Fuel for locomotives, $456,427.23; engine; and round house men, $215,513.37; train men, $148,496.13; station service, $108,671 07; car mileage balance, $150,239.07; switchmen, watchmen, etc., $112,731.71.

The increase of $1,882,797.69 in earnings is divided as follows:

Wabash, west of Detroit, Increase	$1,817,329 90
Buffalo Division, Increase	65,467 79

The increase of $1,867,846.53 in expenses is divided as follows:

Wabash, west of Detroit, Increase	$1,956,628 23
Buffalo Division, Decrease	88,781 70

TRAFFIC.

FREIGHT.

The freight traffic statistics show a decrease of 22,393,325 (1.02 per cent), in "tons revenue freight carried one mile," at an average rate of 0.6464 cents per mile, an increase of 0.0401 cents (6.61 per cent), at a cost per ton mile of 0.5400 cents, an increase of 0.0708 cents (15.09 per cent), leaving a

net profit of 0.1064 cents as compared with 0.1371 cents last year, a decrease of 0.0307 cents (22.39 per cent).

The average revenue per freight train mile was $1.8510; expense per mile $1.5463, and net earnings, $0.3047 against $1.8297, $1.4159 and $0.4138 respectively last year.

The total freight train mileage was 7,598,295, an increase of 314,137, or 4.31 per cent.

The loaded cars per train decreased 0.16 cars; the load per car decreased 0.68 tons and the revenue train load was 286.34 tons against 301.76 tons last year, a decrease of 15.42 tons 5.11 per cent. For the years 1895 to 1904 the revenue train load and load per car, have been as follows:

Year.	Train Load.	Car Load.
1895	176.29 tons.	13.37 tons.
1896	193.04 "	13.80 "
1897	212.87 "	14.00 "
1898	216.55 "	14.16 "
1899	234.72 "	14.83 "
1900	268.94 "	16.07 "
1901	283.47 "	16.67 "
1902	284.66 "	16.69 "
1903	301.76 "	17.82 "
1904	286.34 "	17.14 "

The actual train load, including company freight, was 315.94 tons, against 331.29 tons last year.

The increase in train load over 1895 has been 110.05 tons (62.42 per cent), and car load has increased 3.77 tons (28.20 per cent).

In the preparation of train statistics, all loaded cars, whether "revenue," freight or "company" freight, are included in "loaded cars per train."

With a decrease of 1.02 per cent in "services rendered" *i. e.*, "tons carried one mile," there was an increase in freight revenue of $737,178.06 (5.53 per cent), with an increase of $1,435,666.58 (13.92 per cent), in expenses of freight traffic. While the increase in freight tonnage was 7,481 tons (0.08 per cent), the increase in freight train service was 4.31 per cent.

PASSENGER.

"Passengers carried one mile" increased 39,171,892 (11.87 per cent), and in revenue $910,024.44 (14.83 per cent). There was an increase of $43,915.70 on the Buffalo Division, and an increase of $866,108.74 on the Wabash proper.

The rate per passenger per mile was 1.908 cents, an increase of 0.049 cents, and expenses per passenger per mile 1.607 cents, a decrease of 0.060 cents, leaving 0.301 cents per mile net, as against 0.192 cents last year, a gain of 56.77 per cent.

Train earnings per mile were $1.0592, a gain of 9.08 cents; the expenses were 73.26 cents per train mile, an increase of 1.94 cents, and net earnings per train mile were 32.66 cents against 25.52 cents in 1903.

The "passengers carried one mile" increased 11.87 per cent, while the cost of passenger train service increased 7.85 per cent, and the actual number of passengers carried was 6,183,474, an increase of 234,561 (3.94 per cent).

Statistics of freight and passenger traffic show the earnings divided between the two classes of traffic as follows:

Freight train gross earnings.....	$14,064,656 81	(62.11%)
Passenger train gross earnings...	8,580,184 02	(37.89%)
Freight train net earnings	$2,315,574 81	(46.67%)
Passenger train net earnings.....	2,645,757 17	(53.33%)

Passenger train earnings include mail, express, etc.

OPERATION AND MAINTENANCE.

Expenses of operation and maintenance increased as follows:

	Buffalo Division.	Wabash Proper.	Total.
Maintenance of Way and Structures	$233,522 54*	$ 214,168 85	$ 19,353 69*
Maintenance of Equipment	79,926 06	278,411 67	358,337 73
Conducting Transportat'n	63,643 62	1,403,707 56	1,467,351 18
General Expenses	1,171 16	60,340 15	61,511 31
Total	$ 88,781 70*	$1,956,628 23	$1,867,846 53

*Decrease.

The principal items of increase were as follows:

Repairs of Roadway		$277,704 81
Renewals of Cross Ties		78,796 10
Repairs and Renewals of Locomotives		171,638 55
Repairs and Renewals of Pass. Cars		60,816 01
Repairs and Renewals of Freight Cars		157,316 54
Passenger Train Service—train and engine men, fuel and water for cars and locomotives—train supplies—oil, waste and other supplies for locomotives, etc., (16.17%)		261,508 97
Freight Train Service—train and engine men, fuel and water for cars and locomotives—train supplies—oil, waste and other supplies for locomotives, etc., (22.63%)		625,204 10
Station Service—		
Passenger (7.87%)	$ 18,493 30	
Freight (11.02%)	108,840 25	127,333 55

The decrease in Maintenance of Way and Structures on the Buffalo Division was owing to the heavy expenditures on bridges during the year 1902-1903.

Maintenance of Way and Structures shows a decrease of $19,353.69 for the entire system, but the amount expended

in repairs to roadway shows an increase of $277,704.81, and the amount expended for cross ties shows an increase of $78,796.10, and repairs to buildings and fixtures an increase of $70,670.74.

MAINTENANCE OF WAY.

NEW STEEL RAIL LAID.

	1903-1904.	1902-1903.	Increase.	Decrease.
No. Tons 80-lb. New Rail	34,488.0	28,085.0	6,403.0	.....
Miles New Steel Rail Laid	275.0	223.0	52.0	.....

NOTE.—In the above statement is included 3730 tons 29.6 miles of new 80-lb. rail laid on the Buffalo Division between Niagara Falls and Windsor, the Wabash paying its proportion on a wheelage basis.

MISCELLANEOUS WORK.

	1903-1904.	1902-1903.	Increase.	Decrease.
No. Cross-ties laid, Main Track	870,521	596,751	273,770	.....
" Cross-ties laid, Side Track	167,652	139,274	28,378	....
" Sets Switch-ties put in	483	493	.....	10
" Miles Track ballasted (stone, gravel, burnt clay, etc.)	198.9	133.8	65.1	.....
" Miles Fence Rebuilt.	160.4	284.3	.....	123.9
" Miles Old Fence Repaired	149.1	140.4	8.7	.....
" Miles New Fence Built	99.0	.....	99.0	.....
" Miles Ditching	48.6	113.0	.....	64.4
" Miles Sidings and Spurs Built	55.7	33.4	22.3	.....

NOTE.—Included in the above are 66,509 cross ties, 29 sets switch ties, 22.9 miles of track ballasted, 20.5 miles of fence rebuilt, and 6.9 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; and 9,903 cross-ties and 4 sets switch-ties put in on the Erie Section of the Buffalo Division.

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NUMBER OF FEET OF TRESTLE SHORTENED, REPLACED WITH IRON PIPE, FILLED, ETC., DURING THE YEAR ENDING JUNE 30, 1904.

	Shortened.	Replaced with Iron Pipe.	Filled and Abandoned.	Cost.
Buffalo Division	.....	418 feet.	192 feet.	$ 5,807 33
Detroit Division	.....	24 "	680 "	27,389 97
Eastern Division	494 feet.	174 "	146 "	4,190 01
Middle Division	85 "	416 "	4,491 "	11,481 60
Western Division	233 "	561 "	.....	3,281 08
St. Louis Division	241 "	643 "	3,070 "	2,991 99
Total	1,053 feet.	2,236 feet.	8,579 feet.	$55,141 98

TOTAL DECREASE, IN LINEAL FEET, OF TRESTLE WORK.

	1903-1904.	1902-1903.
Buffalo Division	610	.....
Detroit Division	704	776
Eastern Division	814	297
Middle Division	4,992	1,129
Western Division	794	.....
St. Louis Division	3,954	2,098
Total	11,868	4,300

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EXTRAORDINARY REPAIRS AND RENEWALS, IMPROVEMENTS AND ADDITIONS.

REPAIRS AND RENEWALS.

Bridges, Wooden—		
Rebuilt 75 trestles at various points	$ 50,462	69
Harvey, Ia.—Bridge No. 2891, renewed Howe truss; two spans	11,169	37
Total	$ 61,632	06
Wharfs, Docks and Landings—		
Detroit, Mich.—Renewal of dock along 12th street freight house	$ 4,340	94
Passenger and Freight Stations, Shops and other Buildings, etc.—		
Detroit, Mich.—Renewed driveway 12th street freight house	1,189	00
Delray, Mich.—Rebuilt sand house	380	00
Delray, Mich.—Water connection	345	00
Holloway, Mich.—Rebuilt combination depot	885	00
Adrian, Mich.—Paving around freight house	1,132	00
Adrian, Mich.—Renewed passenger platform with brick	685	50
Montpelier, O.—Changing old freight house into restaurant, baggage and express rooms	523	00
Montpelier, O.—Moving freight house from Millersburg and converting same into freight house and office building	103	00
Montpelier, O.—Renewing engine terminal	8,156	00
Ashley, Ind.—Rebuilt track scales	231	00
Toledo, O.—Rebuilt tower at Broadway	267	00
Toledo, O.—Renewed roof and skylight on coach shop	1,538	00
Homewood, O.—Renewed depot	352	00
Napoleon, O.—Extension of freight house	841	00
Napoleon, O.—Raised passenger depot, repaired same and rebuilt platform	985	00
Okolona, O.—Rebuilt platform	370	00
Jewell, O.—Rebuilt platform	176	00
Emmett, O.—Rebuilt depot and platform	608	00
Ft. Wayne, Ind.—Enlarged three engine house doors	263	00
LaGro, Ind.—Remodeled depot and platform	993	00
Rich Valley, Ind.—Rebuilt depot and platform	120	00
Peru, Ind.—Extension and improvement of engine house	12,155	14
Peru, Ind.—Renewed 60 ft. turn table with 70 ft. 200 ton deck table and masonry foundations	4,387	75
Peru, Ind.—Renewed elevated sand house	485	20
Peru, Ind.—Sidewalk from engine house to Broadway	331	35
Lafayette, Ind.—60 ft. deck turn table from Peru and masonry foundation	1,961	00
Danville Jct., Ill.—Renewed concrete platform and sidewalk	1,100	00
Danville, Ill.—Replanked Main street crossing	428	00
Tilton, Ill.—Enlarged five stalls in engine house	660	00
Chicago, Ill.—Renewed 60 ft. turntable at 41st street	395	00
Bluffs, Ill.—Renewed round house roof	207	00
Bluffs, Ill.—Renewed station platform in brick	506	00
Mayaville, Ill.—Rebuilt depot and platform	1,711	60
Springfield, Ill.—Rebuilt ice house	737	00
Forrest, Ill.—Renewed heater boiler at station	521	00

Forrest, Ill.—Raised depot and renewed platform in concrete	$ 3,940 21
Forrest, Ill.—Renewed turntable with 70 ft. 200 ton table and foundations	5,833 75
Quincy, Ill.—Renewed heater boiler at freight house	367 00
Quincy, Ill.—Renewed round house roof	160 00
Gibson, Ill.—Renewed station platform in concrete	855 00
Springfield, Ill.—Renewed Motive Power Dept's office roof	175 00
Springfield, Ill.—Renewed cinder pit	392 00
Decatur, Ill.—Renewed eave troughing on passenger station	348 00
Decatur, Ill.—Renewed ice house roof	413 00
Decatur, Ill.—Renewed boiler washing pump at round house	525 00
Decatur, Ill.—Renewed cinder pit at round house	415 00
Decatur, Ill.—Lengthened and lined cinder pit	682 18
Bay-windows added on the following depots:— Galesville, Ill., Foosland, Ill., Garber, Ill., Strawn, Ill., and Osman, Ill	350 00
East St. Louis, Ill.—Rebuilding outbound freight house	25,865 00
Hannibal, Mo.—Improving depot building and shed	1,567 00
Luther, Mo.—Renewing yard office, account of fire	1,500 00
Luther, Mo.—Renewed cinder pit	615 00
Luther, Mo.—Renewed steam heat in round house	350 00
Heights, Mo.—Addition to depot	135 00
Ferguson, Mo.—Renewed ice house	255 00
Ferguson, Mo.—Renewed sidewalk	206 00
Gilmore, Mo.—Rebuilt depot and platform, account of fire	1,251 86
Wellsville, Mo.—Rebuilt depot and platform, account of fire	1,504 91
Thompson, Mo.—Rebuilt depot and platform, account of fire	1,337 00
Columbia, Mo.—Renewed stock yards	265 00
Moberly, Mo.—Rebuilt end wall of round house	1,068 00
Moberly, Mo.—Renewed cinder pit	792 00
Moberly, Mo.—Renewed blast furnaces in blacksmith shop and brass foundry	176 00
Moberly, Mo.—Renewed steam heat at round house	770 00
Moberly, Mo.—Renewed machinery foundation	325 00
Moberly, Mo.—Renewed scales	595 00
Moberly, Mo.—Renewed car shop floor	294 00
Macon, Mo.—Built addition to freight house	442 00
Salisbury, Mo.—Renewed depot and platform, account of fire	2,351 00
Brunswick, Mo.—Renewed scales	466 00
Kansas City, Mo.—On account of flood, rebuilt freight house with brick	3,114 00
Kansas City, Mo.—Steam heat	310 00
McFall, Mo.—Brick floor	640 00
McFall, Mo.—Sand house	205 00
McFall, Mo.—Moving depot and platform	397 00
Elmo, Mo.—Renewed depot	1,542 00
Elmo, Mo.—Renewed stockyards	178 00
Burlington Junction, Mo.—Built addition to hotel	3,277 00
Blanchard, Ia.—Moving depot and platform	314 00
Shenandoah, Ia.—Renewed depot and platform, account of fire	3,600 00
Total	$115,892 45

Water and Fuel Stations.—

Belleville, Mich.—Rebuilding water tank	$	214 19
Napoleon, O.—Rebuilt water plant		900 00
Ft. Wayne, Ind.—Rebuilt water tank at shops and new water mains		5,000 00
Peru, Ind.—Relaying water line in engine house		1,464 77
Marley, Ill.—Six in. well casing		216 00
Manhattan, Ill.—Six in. well casing		388 00
Taylorville, Ill.—Two ten in. well casings		883 00
Chicago, Ill., 41st street—Rebuilt roof over coal chute		500 00
Stanberry, Mo.—Built addition to sand house		185 00
Total	$	9,750 96

Renewals of tracks, 23d street to Page avenue, St. Louis, Mo.—

Two main tracks relaid with 80 lb. rail from 23d street to Union avenue	$	32,711 64
One main track from Union avenue to Page avenue, relaid with 80 lb. rail		17,106 90
Total	$	49,818 54

IMPROVEMENTS.

Steel Bridges (New) to Replace Wooden Bridges—

Whittaker, Mich.—Bridge No. 779, renewed pile trestle with masonry and through girder (not completed)	$	2,697 76
Cone, Mich.—Bridge No. 813, renewed pile trestle with masonry and deck plate girder (not completed)		254 18
Britton, Mich.—Bridge No. 821, renewed pile trestle with masonry and through girder (not completed)		3,118 68
Britton, Mich.—Bridge No. 823, renewed pile trestle with masonry and deck plate girder (not completed)		42 00
Montpelier, O.—Bridge No. 1357, renewed pile trestle with masonry and deck plate girder (not completed)		1,455 41
Hamilton, Ind.—Bridge No. 1383, renewed pile trestle with masonry and deck plate girder (not completed)		4,568 79
New Haven, Ind.—Bridge No. 317, renewed pile trestle with masonry and deck girder (not completed)		2,091 12
Ft. Wayne, Ind.—Bridge No. 323, renewed pile trestle with masonry and deck girder (not completed)		1,336 44
Roanoke, Ind.—Bridge No. 351, pile trestle renewed with masonry and through girders (not completed)		6,885 33
Roanoke, Ind.—Bridge No. 357, pile trestle renewed with masonry and through girder (not completed)		1,061 98
Williamsport, Ind.—Bridge No. 683, replaced pile trestle with 65 ft. girder and masonry (not completed)		6,155 72
Danville, Ill.—Bridge No. 745, pile trestle replaced with deck girder and masonry over Seminary Street, (not completed)		12,047 49
Okolona, O.—Bridge No. 845, pile trestle replaced with concrete abutments and girder (not completed)		613 85
Okolona, O.—Bridge No. 848, pile trestle replaced with concrete abutments and girder (not completed)		1,328 49
Horse Creek, Ill.—Bridge No. 1149, renewed pile trestle with through steel span and masonry		430 85

Alpine, Ill.—Bridge No. 1057, renewed pile trestle with masonry and deck span	$1,044 23
Sibley, Ill.—Bridge No. 1285, renewed pile trestle with masonry and solid floor girder	2,636 62
Campus, Ill.—Bridge No. 1195, pile trestle reconstructed with masonry and girder	3,632 94
Wing, Ill.—Bridge No. 1236, renewed pile trestle with masonry pier and two through spans	24,902 97
Honey Bend, Ill,—Bridge No. 790, renewed pile trestle with concrete abutments and solid floor deck span	832 92
Stonington, Ill.—Bridge No. 730, renewed pile trestle with concrete abutments and solid floor deck span	2,097 69
Sadorus, Ill.—Bridge No. 63, renewed pile trestle with masonry and through girders with heavy center	8,483 79
Carpenter, Ill.—Bridge No. 870, renewed frame trestle with masonry and through girder	5,398 20
Carpenter, Ill.—Bridge No, 871, renewed pile trestle with masonry and through girder	3,716 89
Wing, Ill.—Bridge No. 1240, renewed pile trestle with masonry and deck span (old material)	904 64
Salisbury, Mo.—Bridge No. 449, renewed Howe truss bridge with steel truss	9,883 16
Keytesville, Mo.—Bridge No. 471, renewed Howe truss bridge with steel truss	10,735 47
Miami, Mo.—Bridge No. 516, renewed Howe truss bridge with iron truss bridge	13,643 74
South Liberty, Mo,—Bridge No. 604, renewed Howe truss bridge with 65 ft. iron girder	2,836 63
Maryville, Mo.—Bridge No. 1062, renewed Howe truss bridge across street with 75 ft. iron girder	7,842 04
Camden, Mo.—Bridge No. 557, renewed Howe truss bridge with 63 ft. iron girder	2,779 22
Randolph, Mo.—Bridge No. 633, renewed Howe truss bridge with 60 ft. girder	2,263 80
Randolph, Mo.—Bridge No. 636, renewed low truss bridge with 55 ft. iron girder	2,046 74
Camden, Mo.—Bridge No. 567, renewed low truss bridge with 35 ft. iron girder	5,249 33
Total	$155,019 11
Trestles Shortened, Replaced with Iron Pipe, Stone Arches, Filled, etc	$ 68,221 83
Steel Bridges Repaired and Strengthened—	
Danville, Ill.—Bridge No. 747, renewed west approach over Vermillion River	1,654 40
Williamsport, Ind.—Bridge No. 683, built retaining wall of masonry for protection of highway under bridge	245 00
Meredosia, Ill.—Bridge No. 282, renewed deck	1,077 81
Riverton, Ill.—Bridge No. 173, repaired through iron truss span	1,135 63
St. Charles, Mo.—Bridge No. 59, trussing stringers and connecting columns in approaches	11,079 27
St. Charles, Mo.—Bridge No. 59, putting in new girders over public streets and putting in new capstones	8,897 78
Gilmore, Mo.—Bridge No. 116, two girders added	3,107 43
Total	$ 27,197 32

New Steel Bridges to Replace Old Steel Bridges—

Logansport, Ind.—Bridge No. 494, over street, replaced with heavy girder and solid floor	$ 2,523 86
Logansport, Ind.—Bridge No. 497, replaced through iron truss bridge over Wabash River with heavy through steel truss, new abutments and piers	1,000 00
Total	$ 3,523 86

Improving Line and Reducing Grades—

Chicago Division—Gibson, Lodge, Mansfield, Garber and Sibley—Changing grades and alignment	$ 15,045 54
Ritchie, Ill.—Changing grades and alignment	76,321 42
Monticello, Ill.—Changing grades and alignment	71,596 57
Bement, Ill.—Changing grades and alignment	10,329 66
Carpenter, Ill.—Changing grades and alignment	48,097 94
Edwardsville, Ill.—Changing grades and alignment	34,551 24
Total	$256,442 37

For Protection Against Missouri and Des Moines Rivers—

At Randolph, De Witt and Harvey	$ 57,756 95

ADDITIONS.

Second, Third, Yard, Side and Spur Tracks to Various Industries—

Buffalo Division	6.9 miles	$ 83,196 00
Detroit Division	7.0 miles	47,320 50
Eastern Division	4.0 miles	22,819 61
Middle Division	24.0 miles	106,962 12
Chicago Terminal (Landers Yard) Grading Only	miles	3,910 15
E. St. Louis Terminal (Brooklyn Yard) Grading Only	miles	10,912 17
St. Louis Terminal Facilities:		
23rd St. to Grand Ave., Yard Tracks	1.46 miles	10,402 53
Compton Ave. to Euclid Ave., Third Track	1.85 miles	9,434 99
Vandeventer Ave., Pass. Eng. Trml. Tracks	1.47 miles	7,000 00
Boyle Ave., Pass. Car Storage Yard	1.68 miles	4,170 17
Boyle Ave., Frt. Car Storage Yard	1.44 miles	10,843 66
Olive Road, New Tracks	0.6 miles	2,517 44
Page Ave., Two Sidings	0.95 miles	9,915 95
St. Louis Division	3.5 miles	22,585 38
Western Division	0.9 miles	4,060 64
Second Track—Delray to Oakwood	1.75 miles	15,344 12
Second Track—Ashburn to Banks	6.30 miles	76,982 34
Second Track—Litchfield to Worden	8.10 miles	100,874 36
Second Track—Poag to Granite City	9.60 miles	59,798 46
Second Track—St. Louis, Union Ave to Page Ave	2.55 miles	11,350 38
Total	84.05 miles	$620,900 95

Interlocking Plants, Wabash Proportion—

Crocker, Ind—Rebuilt interlocking tower E. J. & E. crossing	$ 1,057 23
Reddick, Ill.—Interlocking plant erected, Ill. Cent. Railway crossing	1,311 12
Lotus, Ill—Interlocking plant erected. Ill. Cent. Railway crossing	1,342 44
St. Louis, Mo.—Union Avenue. Interlocking plant erected, St. L., K. C. & C. connection.	4,879 35
St. Louis, Mo.—Forsythe Junction. Interlocking plant erected, St. L., K. C & C. Railway crossing	5,037 97
St. Louis, Mo.—Page Avenue. Interlocking plant erected, Terminal R. R. Association connection	5,552 07
Total	$ 19,180 18

New Buildings, or Additions to Passenger and Freight Stations, Shops and other Buildings, etc.—

Delray, Mich.—Machinery for turning drawbridge (not completed)	$ 550 59
Montpelier, O.—New engine terminal (not completed)	685 21
Ashley, Ind.—New cinder pit (not completed)	544 59
Eddy, Ind.—New block tower	308 02
Stoney Creek, Ind.—New block tower	317 55
New Paris, Ind.—New stock scales	231 99
N. Liberty, Ind.—New turntable (not completed)	315 00
N. Liberty, Ind.—New water plant (not completed)	5,861 42
Morris, Ind.—New block tower	321 07
Calumet, Ind.—New block tower	367 52
Tolleston, Ind.—New block tower	329 87
Clark, Sw., Ind.—New block tower	359 34
Ft. Wayne, Ind.—New brick shop building	1,001 91
Ft. Wayne, Ind.—Addition to M. M. office	349 22
Ft. Wayne, Ind.—New oil storage cellars	618 33
Ft. Wayne, Ind.—New foundation for air compressor	253 76
Spencerville, Ind.—New stock scales	234 53
St. Joe, Ind.—New stock scales	222 68
Neapolis, O.—New No. 4 depot and platform	590 59
Defiance, O.—Standpipe and water main	1,521 04
Rich Valley, Ind.—New water tank and standpipe (not completed)	318 00
Liberty Center, O.—Extension to depot	115 92
Jewell, O.—Extension to depot	340 16
Knoxdale, Ind.—New No. 4 depot and platform	673 11
Gar Creek, Ind.—New No. 4 depot and platform	603 66
Ashwood, Ind.—New block tower	322 58
Peru, Ind.—Extension of baggage room for lunch room and express office	1,138 44
Peru, Ind.—New water plant, Little Pipe Creek	1,464 77
Peru, Ind.—Extension of passenger platform with brick	157 60
Peru, Ind.—New water plant for hot-water cisterns	1,070 29
Peru, Ind.—New General Foreman's office	647 24

Peru, Ind.—New casting platform (Machinery Dept).....	$ 1,307 57
Peru, Ind.—New office building (Car Dept).....	398 39
Peru, Ind.—New casting platform (M. of W.).....	956 25
Peru, Ind.—New scrap bins.....	461 97
Peru, Ind.—Extension of storeroom platform with shed roof.....	580 48
Peru, Ind.—New brick oil house (Store Dept.).....	517 44
Peru, Ind.—New vault for records (M. W. Dept.).....	313 58
Tilton, Ill.—New casting shed.....	14 80
Tilton, Ill.—New elevated sand house.....	768 47
Landers, Ill.—New telegraph office.....	259 55
Landers, Ill.—Test well.....	459 46
Chicago, Ill.—Two scales in freight house at Twelfth St...	319 85
Chicago, Ill.—Planking for team track.....	338 76
Chandler, Ill.—Connection with water main and laying pipe for car washing purposes.....	1,190 32
Decatur, Ill.—Addition to Y. M. C. A. building.....	4,216 50
Decatur, Ill.—New iron shed for Car Department.....	196 80
Decatur, Ill.—New heater boiler in Y. M. C. A. building..	440 00
Decatur, Ill.—Addition to stable of Wabash employes Hospital Association	99 63
Decatur, Ill.—New scrap iron shed.....	61 76
Decatur, Ill.—Built addition to passenger station.....	9,920 83
East St. Louis, Ill.—New scales in outbound freight house	736 99
East St. Louis, Ill.—Addition to car repair shops.....	571 86
Quincy, Ill.—New standard water tank	1,252 94
Quincy, Ill.—60 ft. turn table and foundations.....	1,074 10
Quincy, Ill.—New freight house and office building (completed)	631 15
Quincy, Ill.—New 44 ft. 100 ton capacity track scale at new yard near round house.....	1,201 72
Quincy, Ill.—New passenger station (completed).....	10,407 24
Quincy, Ill.—Swinging beam derrick crane.....	1,683 03
Brooklyn, Ill.—New standard water tank	1,742 26
Brooklyn. Ill.—Brick floor in machine shop	450 95
Forrest, Ill.—Concrete masonry drop pit.....	645 81
Forrest, Ill.—Concrete floor in turntable.....	346 01
Forrest, Ill.—New block tower.....	398 27
Springfield, Ill.—Concrete masonry foundation for new air compressor in boiler house at blacksmith shop.....	222 39
Mt. Olive, Ill.—17 ft. extension to depot for freight room.	1,014 10
Bement, Ill.—New block tower.....	813 51
Brisbane, Ill.—New block tower.....	452 13
Markham, Ill.—New No. 4 depot.....	186 26
Lodge, Ill.—New stock pens and chute.....	329 04
Knights, Ill.—New block tower.....	751 34
St. Louis, Mo.—Second and North Market Street, new freight platform	876 19
St. Louis, Mo.—Collins Street, new platform.....	74 29
St. Louis, Mo.—Collins Street, new watch house.....	80 93
St. Louis, Mo.—North Market Street, new watch house...	46 59
St. Louis, Mo.—Boyle Avenue, new watch house.....	87 42
St. Louis, Mo.—Newstead Avenue, new watch house... ...	89 20
Luther, Mo.—Paved back of stalls in round house.....	765 25

Sands, Mo.—New block tower	$ 373 06
Elm Point, Mo.—New block tower	377 41
Benton City, Mo.—New well at stock yards	97 55
Missouri City, Mo.—Built coal chutes and enlarged platform	1,500 00
Moulton, Ia.—Built reservoir, new pump house, new mains, and installed gasoline engine	3,355 00
St. Louis, Mo.—Engine terminal, Vandeventer Avenue, 13 stall round house, new 70 ft. turntable, coaling tipple, new water tank, new stand pipes, freight car repair shop, oil house, elevated sand house and two ash pits	9,896 75
St. Louis, Mo.—Electric block signal system, Twenty-third Street to Page Avenue, St. Louis (not completed)	9,723 04
St. Louis, Mo —Olive Road, new station	2,000 00
Moberly, Mo.—New ice house and platform	1,549 79
Moberly, Mo.—New fuel oil house	711 73
Moberly, Mo.—Fuel oil house heating apparatus	221 24
Moberly, Mo.—New general foreman's office, machine shops	251 29
Moberly, Mo.—Foundation for cinder hoist	28 12
Moberly, Mo.—New air compresser, car shops	91 12
Moberly, Mo.—Shed and platform for track supplies and scrap	744 61
Macon, Mo.—New coal house	70 18
LaPlata, Mo.—New wells at stock yards and depot	226 76
Millard, Mo.—New wells at stock yards and depot	112 50
Huntsville, Mo.—New well at stock yard	177 72
Dalton, Mo.—New shed at stock yard	105 21
Brunswick, Mo.—New Train Master's office	1,353 54
Randolph, Mo.—New ice house	1,225 59
Harlem, Mo.—New turntable timber foundation	6,840 03
Total	$112,621 92

SUMMARY

OF

Extraordinary Repairs and Renewals, Improvements and Additions.

Repairs and Renewals.

Bridges, Wooden	$ 61,632 06
Wharves, Docks and Landings	4,340 94
Passenger and Freight Stations, Shops and other Buildings, etc	115,892 45
Water and Fuel Stations	9,750 96
Renewals of Tracks 23d St. to Page Ave., St. Louis, Mo	49,818 54
Total	$241,434 95

Improvements.

Steel Bridges (New) to Replace Wooden Bridges	$155,019 11
Trestles Shortened, Replaced with Iron Pipe, Filled, Etc.	68,221 83
Steel Bridges, Repaired and Strengthened	27,197 32
New Steel Bridges to Replace Old Steel Bridges	3,523 86
Improving Line and Reducing Grades	256,442 37
Protection against Missouri and Des Moines Rivers	57,756 95
Total	$568,161 44

Additions.

Second Track	$264,849 64
Third, Yard, Side and Spur Tracks to Various Industries.	356,051 31
Interlocking Plants, Wabash Proportion	19,180 18
Passenger and Freight Stations, Shops and other Buildings, etc	112,621 92
Total	$752,703 05

Totals	Repairs and Renewals	$241,434 95
	Improvements	568,161 44
	Additions	752,703 05
Grand Total		$1,562,299 44

In addition to the above, the following amounts were expended on the Buffalo Division for extraordinary renewals and improvements, the Wabash paying its proportion of this sum on a wheelage basis:

Depots, Buildings, etc	$ 10,619 41
Additions to Shops, Round-houses, etc	45,551 56
Wood, Water and Coal Stations—New and Rebuilt	10,929 29
Docks and Slip Tables—Repairs and Renewals	773 90
Steel Bridges Repaired and Renewed	200,558 25
Trestles Replaced with Iron Pipe, Filled and Abandoned	8,410 74
Total	$276,843 15

OMAHA DIVISION.

Miscellaneous Work—

No. cross ties put in track	2,318
No. miles track ballasted with crushed rock	23.9
No. miles fence built	4.9

SUMMARY.

Miscellaneous Work	$ 84,898 13

RECAPITULATION.

Extraordinary Repairs and Renewals, Improvements and Additions	$1,562,299 44
Buffalo Division, Extraordinary Renewals and Improvements	276,843 15
Reconstruction Omaha Division	84,898 13
Grand Total	$1,924,040 72

TRANSPORTATION DEPARTMENT.

FREIGHT.	1904.	1903.	1902.
Total Loaded Cars moved for year	1,881,101	1,830,621	1,738,098
Total Empty Cars moved for year	803,553	793,889	776,474
Total Loaded and Empty Cars moved for year	2,684,654	2,624,510	2,514,572
Average Loaded Cars moved per day	5,153	5,015	4,725
Average Empty Cars moved per day	2,202	2,175	2,127
Average Loaded and Empty Cars moved per day	7,355	7,190	6,889
Total Freight Train Mileage for year	7,598,295	7,284,158	6,441,121
Average Freight Train Mileage per day	20,817	19,957	18,743
Total number Freight Trains for year	91,251	88,134	80,303
Average number Freight Trains per day	251	236	220
Average number Miles run per train, per day	83.3	84.6	85.2
Average number Loaded Cars moved per train mile	18.4	18.6	19.0
Average number Empty Cars moved per train mile	6.9	7.2	7.4
Average number Loaded and Empty Cars moved per train mile	25.4	25.8	26.4

FREIGHT—Cont.	1904.	1903.	1902.
Average number Cars handled per train mile, reduced to loaded car basis	22.6	22.9	23.5
Mileage made by all Loaded Cars for year	140,074,003	135,424,005	129,714,750
Mileage made by all Empty Cars for year	52,644,523	52,573,824	50,721,670
Grand Total of Car Mileage for year	192,718,526	187,997,829	180,436,420
Foreign Loaded Car Mileage for year	88,221,505	75,534,916	67,218,623
Foreign Empty Car Mileage for year	27,065,112	26,439,131	23,375,135
Total Foreign Car Mileage for year	115,286,617	101,974,047	90,593,76
Wabash Loaded Car Mileage for year	61,852,498	59,889,089	62,496,122
Wabash Empty Car Mileage for year	25,579,411	26,134,693	27,346,535
Total Wabash Car Mileage for year	77,431,909	86,023,782	89,842,657
Number of Wabash Cars in Service, exclusive of work trains	16,039	16,089	16,460
Average number of Wabash Cars on other roads per day,	7,624	7,834	7,734
Miles run per Car per day, Wabash Cars on Wabash R. R.	25.2	28.5	28.2
Average number of Foreign Cars on Wabash R. R. per day,	9,179	8,562	5,943
Average Miles run by Foreign Cars on Wabash R. R. per Car per day,	34.4	32.6	1.84

PASSENGER.	1904.	1903.	1902.
Total Passenger Train Mileage for year.....	8,100,348	7,715,162	7,691,050
Total number Passenger Trains run for year.....	86,625	82,549	81,990
Average number Passenger Trains run per day.....	237	226	225
Average number Miles per Train per day.....	93.5	93.5	93.8
Average number Miles by all Trains per day	22,193	21,138	21,105
Total Mileage Wabash, Baggage, Mail and Express Cars for year.....	8,746,068	8,691,319	8,425,552
Total Mileage Wabash, Coaches and Chair Cars for year.....	17,527,348	16,670,309	16,807,827
Total Mileage Sleeping Cars for year	9,883,877	9,234,387	9,188,022
Total Mileage Wabash Dining Cars for year.....	1,423,277	1,443,536	1,591,510
Total Mileage of all Cars for year.....	39,430,771	37,791,983	37,451,010
Average number of Cars of all classes handled for year	421,210	404,055	400,040
Average number of Cars of all classes handled per day	1,154	1,107	1,096
Average number of Cars per train.....	4.87	4.90	4.87

MOTIVE POWER DEPARTMENT.

The total amount expended for repairs of engines was $1,508,614.14, equal to $2,857.22 per engine for 528 engines, the average number on hand during the year.

The following statement will show the large amount of repair work done on engines, and the general character of the repairs.

MOTIVE POWER AND MACHINERY.

LOCOMOTIVE EQUIPMENT.

	1903-1904.	1902-1903.	Increase.	Decrease.
Locomotives on hand July 1st...	488	490	.....	2
Bought and built during year...	50	.....	50	.....
Sold and scrapped during year	10	2	8	.....
On hand June 30th.	528	488	40	.....
REPAIRS.				
Locomotives receiving general repairs.....	340	338	2	.....
Locomotives receiving heavy repairs.....	299	239	60	.....
Locomotives receiving light repairs.....	745	635	110	.....
New Driving and Truck Axles..	1048	906	142	.....
Boilers, general repairs.....	103	102	1	.....
Sets Air Brakes	1	10	.....	9
New Cylinders.....	55	48	7	.....
New Cabs.....	44	41	3	.....
Fire-boxes, new	12	17	.....	5
Fire-boxes repaired	546	433	113	.....
Sets Flues, new.....	47	51	.....	4
Sets Flues, reset.....	381	393	.....	12
New Engine Frames.....	3	25	.....	22
New Main and Side Rods.....	138	72	66	.....
Tires, new	424	442	.....	18
New Engine and Tender Trucks	70	67	3	.....
New Tanks.....	6	13	.....	7
New Tank Frames	50	48	2	.....
New Driving Wheel Centers.....	80	70	10	.....
New Engine, Truck and Tender Wheels	4,588	4,189	399	.....

NOTE.—The 528 engines in service June 30, 1904, had a Tractive Power of 9,887,387 lbs. June 30, 1896, there were 412 engines with Tractive Power of 6,334,915 lbs., showing an increase of 28% in number and an increase of 56% in power of engines.

DISTRIBUTION OF ENGINE MILEAGE.

	1903-1904.	1902-1903.	Increase.	Decrease.
Freight Train Mileage	7,598,295	7,284,158	314,137	
Frt. Double Headers, Pushers and Lights	513,216	572,928		59,712
Passenger Train Mileage	8,100,348	7,715,162	385,186	
Pass. Lights and Double Headers.	162,677	155,833	6,844	
Switching	3,904,205	3,436,104	468,101	
Miscellaneous, Work Trains, Pay Trains, etc...	988,223	647,478	340,745	
Total	21,266,964	19,811,663	1,455,301	

EXPENSE OF OPERATING LOCOMOTIVES.

	1903-1904.	1902-1903.	Increase.
Repairs { Labor	$ 829,903 42	$ 728,985 68	$100,917 74
Repairs { Material	678,710 72	607,747 94	70,962 78
Stores	72,812 49	64,601 73	8,210 76
Fuel (Coal and Wood)	1,860,990 52	1,404,563 29	456,427 23
Engineers and Firemen	1,360,584 03	1,220,182 19	140,401 84
Wiping and Dispatching	218,526 40	187,791 75	30,734 65
Total	$5,021,527 58	$4,213,872 58	$807,655 00

COST PER 100 MILES RUN.

	1903-1904.	1902-1903.	Increase.
For Repairs	$ 7 06	$ 6 70	$ 0 36
Stores	0 34	0 32	0 02
Fuel	8 35	6 77	1 58
Engineers and Firemen	6 36	6 12	0 24
Wiping and Dispatching	1 02	0 94	0 08
Total	$23 13	$20 85	$ 2 28

NOTE.—Engine mileage increased 7.3 per cent, while the amount paid engineers and firemen increased 11.5 per cent, showing an increase in the rate of pay of 3.8 per cent.

	1903-1904.	1902-1903.
Total engine mileage	21,378,516	19,946,946
Average mileage per engine in service for year..	49,696	50,376
Average monthly mileage per engine in service..	4,141	4,198
Tons of coal consumed	1,263,804	1,139,312
Average cost per ton of coal on tender (cost of handling included)	$1.48	$1 24
Average miles run to one ton of coal	16.9	17.6

NOTE.—Cost of stores and fuel includes work train expense.

Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

FUEL DEPARTMENT.

	1903-1904.		1902-1903.		Increase.		Decrease.	
	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.
Coal for Passenger Engines	362,188	$ 516,085 87	342,413	$ 399,173 47	19,715	$116,912 40		
Coal for Freight Engines	649,259	907,344 41	602,127	701,929 02	47,132	205,415 39		
Coal for Switch and Work Engines	252,412	341,785 77	194,767	227,049 45	57,645	115,736 32		
Wood for Engines		18,758 99		21,435 42				$2,676 43
Total Coal and Wood for Engines	1,263,804	$1,784,975 04	1,139,312	$1,349,587 36	124,492	$435,387 68		
Average cost per ton		$1.412		$1.184		$0.228		
Average cost per ton for handling		.068		.060		.008		
Average cost per ton on Tender		1.480		1.244		.236		
Coal for Stationary Engines at Shops	52,398	$52,114 68	43,921	$ 31,382 85	8,472	$ 20,731 78		
Coal for Pumping Engines	13,275	7,078 54	11,806	4,486 52	1,469	2,592 02		
Coal for Stations, etc	9,995	13,431 55	9,594	11,228 51	401	2,198 04		
Coal for Ballast Burning	13,661	11,135 59	75,861-	47,937 38			62,200	$36,801 79
Total Bituminous Coals	1,353,128	$1,868,735 35	1,280,494	$1,444,632 62	72,634	$424,102 73		
Average cost per ton, all Bituminous Coals		$1.366		$1.128		$0.238		
Anthracite Coal	382	$ 2,045 73	1,414	$8,486 39			1,032	$6,440 66
Furnace Coal	2,396	4,658 05	2,613	4,783 98			217	125 93
Smithing Coal	1,979	7,402 86	1,951	7,041 53	28	$ 361 33		
Charcoal	23,363 bu.	2,379 37	17,919 bu.	2,107 07	5,444 bu.	272 30		
Coke	1,077	6,156 20	1,355	9,399 07			278	3,242 87
Fuel Oil	209,188 gal.	7,885 55	18,884 gal.	1,066 97	190,254 gal.	6,818 58		

Quality of Bituminous Coals	Lump.	Mine Run.	Slack.	Screenings.
Tons vouchered, 1902-1903	327,052	817,065	18,125	126,357
Tons vouchered 1903-1904	426,343	870,310	10,229	56,061

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CAR DEPARTMENT.

The expenses of this department, for the year ending June 30th, 1904, were, as last year, above the normal, on account of application of air brakes to our freight cars, vestibules, steam heat and gas to our passenger cars, and new freight and passenger equipment purchased.

The total on account of these items amounts to $1,526,272.87.

Wide vestibules were applied to one chair car, stationary vestibules to 2 baggage, 3 postal and 3 combination cars. Narrow vestibules were changed to wide on one chair car and one combination car, all at a cost of $5,201.05. Total cars now vestibuled, 296.

Steam heat was applied to one coach and two pay cars at a cost of $322.49, making a total of 434 cars so equipped.

We equipped 10 cars with Pintsch gas, at a cost of $2,757.62. making a total of 243 cars so equipped.

Air brakes were applied to 139 freight cars, at a cost of $5,754.83, making a total of 16,097 cars, or about 85% of all our freight cars, so equipped.

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Car Equipment.

	On hand July 1, 1903.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1904.	On hand July 1, 1899.
PASSENGER.					
Official	5	.....	.....	5	4
Pay	2	.....	.....	2	2
Dining	8	1	.....	9	5
Coach	151	16	2	165	108
Combination	56	.....	1	55	22
Chair	51	9	2	58	35
Parlor	6	.....	.....	6	.....
Café	5	2	1	6	.....
Baggage	73	1	4	70	64
Baggage and Mail	14	.....	1	13	15
Passenger and Mail	4	1	.....	5	.....
Baggage, Mail and Passenger	3	.....	.....	3	6
Postal	33	1	1	33	19
Pacific Express	5	.....	.....	5	5
Air-Brake Instruction	1	.....	.....	1	.....
Inspection	1	.....	.....	1	.....
Total Passenger	418	31	12	437	285
FREIGHT.					
Box	9,529	19	261	9,287	8,075
Stock	434	.....	22	412	1,471
Fruit	146	.....	.....	146	50
Coal, Flat and Rack	5,785	1518	128	7,175	3,439
Furniture	294	1	5	290	33
Refrigerator	100	.....	.....	100	100
Cinder and Stone (Dump)	188	18	4	202	129
Ballast and Convertible	131	1	.....	132	.....
Tool and Work	279	31	14	296	36
Derrick	11	1	.....	12	12
Pile Driver	6	.....	.....	6	7
Cable	8	.....	.....	8	1
Ice	8	.....	.....	8	4
Caboose Box	6	.....	.....	6	.....
Caboose Standard	246	14	8	252	212
Total Freight	17,171	1603	442	18,332	13,569
Total Passenger	418	31	12	437	285
Total Car Equipment	17,589	1634	454	18,769	13,854
Total Frt. Car Capacity, in Tons	502,290	.....	.....	554,160	235,074

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CARS REPAIRED.

	Passenger.	Freight.	Total.
Cars Receiving Light Repairs	3,233	147,234	150,467
Cars Receiving Heavy Repairs	161	1,791	1,952
Cars Receiving General Repairs	73	520	593
Cars Rebuilt	13	320	333
Total	3,480	149,865	153,345
New Wheels Applied, Cast	1,593	12,797	14,390
New Wheels Applied, Steel	629		629
Total New Wheels Applied	2,222	12,797	15,019

CAR AND ENGINE TRUSTS.

June 30th, 1904, the car and engine trust notes outstanding were as follows:

St. Louis Trust Company, 30 Locomotives, Contract of November 1st, 1899, 4 notes outstanding (last one due November 1st, 1904), for $5,071.88 each	$ 20,287 52
American Car and Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 43 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	272,162 48
American Car and Foundry Company, 500 Coal Cars, Contract of March 9th, 1903, 50 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	318,289 00
American Car and Foundry Company, 1,000 Coal Cars Contract of March 9th, 1903, 53 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	673,000 36
American Car and Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3rd, 1903, 34 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	85,884 00
American Car and Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 38 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	152,563 54
American Locomotive Company, 12 Passenger Locomotives, 9 notes outstanding (last one due November 10th 1908), various amounts	213,597 00
Baldwin Locomotive Company, 38 Freight and Switch Locomotives, 18 notes outstanding (last one due November 17th, 1908), various amounts	575,253 06
Total	$2,311,036 96

NOTE.—The above does not include the Gold Equipment Bonds amounting to $840,000.00 issued in May, 1904, for the payment of 67 New Locomotives under the Equipment agreement with Blair & Co., Series A.

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In addition to the above, we have an operative contract with the American Car and Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1904, the sum of $86,337.12.

TELEGRAPH DEPARTMENT.

	1903-1904.	1902-1903.
Total Number Miles of Road with Telegraph Lines	2,153	2,153
Total Number Miles of Wire assigned to this Company	7,178	6,830
Total Number Miles of Wire assigned to Telegraph Company	13,585	11,953
Total Number Miles Wire used jointly	747	747
Total Miles of Wire	21,510	19,530

Acknowledgment is made of the faithful and efficient service of heads of Departments, Division and subordinate officials and the rank and file of employees of the Company. It is very gratifying to note a constant growth in that feeling of loyalty to the "Wabash" among all classes of employees which is desired by the Management, and is so beneficial to both the Company and its employees.

Respectfully submitted,

J. RAMSEY, JR.,

President.

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines. FROM	TO	Owned.	Leased.	Operated under joint trackage.	Total Main Lines.	Side and Double track.	TOTAL.
Toledo	E. Hannibal	460.5			460.5	249.5	710.0
E. Hannibal	Hannibal U. D.		3.0	0.4	3.4	2.1	5.5
Bluffs	Camp Point	39.4			39.4	4.2	43.6
Camp Point	Quincy			21.8	21.8	0.2	22.0
E. Hannibal	Quincy	0.9		17.3	18.2	4.5	22.7
Clayton	Elvaston	34.5			34.5	1.8	36.3
Elvaston	Keokuk			7.8	7.8	1.0	8.8
Maysville	Pittsfield		6.2		6.2	1.1	7.3
Sidney	Champaign	11.7			11.7	2.2	13.9
Decatur	St. Louis	110.1		3.8	113.9	70.4	184.3
Edwardsville	Edwardsville Jct.	1.7			1.7	2.2	3.9
Chicago	C. & W. I. Junc.			8.0	8.0	23.7	31.7
C. & W. I. Jct.	Effingham	205.4			205.4	80.5	285.9
Shumway	Altamont	9.5		0.8	10.3	0.3	10.6
Forrest	Fairbury Junc.			6.1	6.1		6.1
Fairbury Jct.	Streator	30.9			30.9	3.7	34.6
Detroit	Delray			4.6	4.6	20.0	24.6
Delray	Butler	109.8			109.8	58.6	168.4
Butler	New Haven	25.7			25.7	8.2	33.9
Maumee	Montpelier	49.5			49.5	10.7	60.2
Montpelier	Clarke Junc.	149.6			149.6	56.8	206.4
Clarke Junc.	C. & W. I. Junc			17.6	17.6		17.6
Attica	Covington	14.8			14.8	2.2	17.0
Chili	Junction, Peru					7.7	7.7
Toledo	Milan			30.9	30.9	21.9	52.8
Total		1254.0	9.2	119.1	1382.3	633.5	2015.8

NOTE.—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles, "owned," between Edwardsville Junction and Edwardsville Crossing, which is leased to the Illinois Terminal Railroad Company.

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LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines.	Owned.	Leased.	Operated under joint trackage.	Total, Main Lines.	Side and Double Track.	TOTAL.
FROM TO						
St. Louis—						
Union Station..23d st	.....	.....	0.7	0.7	.....	0.7
23d st.....Harlem	274.8	.....	.....	274.8	113.1	387.9
Franklin av...N. Market st	.....	.....	.....	.....	1.5	1.5
Olive st.....Carr st	.....	.....	0.6	0.6	0.4	1.0
Carr st.....Ferguson	10.7	.....	.....	10.7	31.5	42.2
Harlem.....Kansas City	.....	.....	1.5	1.5	3.5	5.0
Moberly.....Hannibal	.....	.....	69.7	69.7	8.5	78.2
Moberly.....Ottumwa	131.5	.....	.....	131.5	16.0	147.5
Moulton .....Albia	28.3	.....	.....	28.3	2.6	30.9
Albia.....Albia Connecti'n	.....	.....	0.2	0.2	0.6	0.8
Albia.....Chesterfield	65.8	.....	.....	65.8	9.3	75.1
Chesterfield..... Des Moines	.....	.....	2.4	2.4	.....	2.4
Brunswick.....Chillicothe	38.2	.....	.....	38.2	3.4	41.6
Chillicothe..... Pattonsburg	.....	41.4	.....	41.4	3.7	45.1
Pattonsburg...., Council Bluffs	143.7	.....	.....	143.7	22.4	166.1
Wabash Conn...Co. Bluffs, U. D.	.....	.....	0.3	0.3	.....	0.3
Council Bluffs...Omaha	.....	.....	2.8	2.8	.....	2.8
Centralia.....Columbia	21.6	.....	.....	21.6	1.2	22.8
Salisbury.....Glasgow	15.4	.....	.....	15.4	0.9	16.3
Excello.....Ardmore	.....	.....	.....	.....	11.0	11.0
Excelsior Sps Jc. Milwaukee Junc	9.5	.....	.....	9.5	0.7	10.2
Maryville Junc. Empire Coal Co.	.....	.....	.....	.....	7.3	7.3
Total.....	739.5	41.4	78.2	859.1	237.6	1096.7

NOTE.—The line from Chesterfield to Des Moines, 2.4 miles is reported in "Joint Trackage," instead of lines "Owned," on account of being operated under joint agreement with Des Moines Union Railway.

DOUBLE TRACK.—Joint track Wabash yards to Bridge Junction H. & St. J. R. R. Kansas City, Mo., 2220 feet, 0.4 miles.

This statement includes all side and double track constructed on St. Louis Division except tracks to World's Fair Station, the same being considered only temporary tracks.

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LINES EAST OF THE DETROIT RIVER.

Description of Lines.	Owned.	Leased.	Operated under Joint Trackage.	Total Main Lines.	Side and Double Track.	TOTAL.
FROM TO						
Detroit.....Black Rock.....	.....	.....	227.1	227.1	156.0	383.1
Welland Jct. .Susp. Bridge.....	.....	.....	17.8	17.8	21.9	39.7
Susp. Bridge....Buffalo	.....	.....	25.6	25.6	14.1	39.7
Black Rock.....International Jct..	.....	.....	4.8	4.8	4.5	9.3
Total.....	.....	.....	275.3	275.3	196.5	471.8

NOTE.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for the use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

The 196.5 miles of side and double track consists of 97.3 miles of double track and 99.2 miles of side track.

RECAPITULATION.

MILES OF ROAD OPERATED.

Description of Lines.	Owned.	Leased.	Operated under Joint Trackage.	Total, Main Lines.	Side and Double Track.	Total.
Lines East of the Mississippi River	1254.0	9.2	119.1	1382.3	633.5	2015.8
Lines West of the Mississippi River	739.5	41.4	78.2	859.1	237.6	1096.7
Lines East of the Detroit River	.....	.....	275.3	275.3	196.5	471.8
Total	1993.5	50.6	472.6	2516.7	1067.6	3584.3

The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.1
In Indiana	357.5
In Illinois	745.0
In Missouri	653.7
In Iowa	208.9
In Nebraska	.6
Total	2516.7

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WABASH EMPLOYES' HOSPITAL ASSOCIATION.

Amount received from employes		$68,142 95
Amount received from Wabash R. R. Co. for care of injured persons		177 85
Amount received from other railroads for care of their employes		390 00
Total Receipts		$68,710 80
Expenses	$59,155 73	
Expended on new Hospital at Decatur	18,557 08	77,712 81
Deficit for the year		$ 9,002 01
Surplus June 30, 1903		44,048 09
Interest on Surplus during year		135 17
Rent Peru property		120 00
Surplus June 30, 1904		$35,301 25

	1903-1904.	1902-1903.
Number of patients treated in Hospitals	1,222	1,018
Number of patients treated outside of Hospitals	25,423	24,998
Total number of patients treated	26,645	26,016
Number of Surgical cases treated	3,223	3,151
Number of Medical cases treated	23,422	22,865
Number of prescriptions filled for patients in Hospitals	10,597	6,485
Number of prescriptions filled for patients outside of Hospitals	41,814	42,629
Total number of deaths	29	12

The Board of Trustees,

J. RAMSEY, JR., *Chairman*,
W. H. BLODGETT,
E. B. PRYOR.

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AUDITOR'S REPORT.

St. Louis, Mo., October 1st, 1904.

J. Ramsey, Jr.,

President, The Wabash Railroad Company.

Dear Sir:—I herewith submit statements of General Account, and tables showing the results of operation for the fiscal year ending June 30th, 1904, as follows:

A. Results of Operation.
B. Comparative Statement of Earnings and Expenses.
C. Income Account and Profit and Loss.
D. Financial Exhibit.
E. Comparative Statement of Operating Expenses.
F. Additions to Property.
G. Train and Mileage Statistics.
H. Tonnage of Articles Carried.
J. Mileage Statistics for Twenty-three Years.
K. Statement of Funded Debt and Interest Charges.

Yours respectfully,

D. B. HOWARD,
Auditor.

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A

THE WABASH RAILROAD COMPANY.

RESULTS OF OPERATION FOR THE YEAR ENDING JUNE 30, 1904.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Gross Earnings	$22,023,626 63	$21,140,828 94
Operating Expenses	17,583,508 85	15,815,662 32
Net Earnings	$5,340,117 78	$5,225,166 62
Taxes	750,158 71	684,702 96
	$4,589,959 07	$4,660,463 66
Miscellaneous Receipts, Interest, Dividends, etc.	489,706 07	467,927 94
	$5,079,665 14	$5,128,391 60
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	817,205 62	870,440 12
Net Earnings from Operation	$4,262,459 52	$4,257,951 48
Additions to Property and other Charges, as per Analysis (2) below	1,050,745 64	817,288 80
Net Earnings applicable to Interest	$3,211,713 88	$3,440,662 68
Interest on Bonds	3,092,422 72	3,034,512 60
Surplus	$119,291 16	$406,150 08
Dividends on Preferred Debenture Bonds	105,000 00	210,000 00
Net Surplus	$14,291 16	$196,150 08

1. ANALYSIS OF JOINT TRACK RENTALS AND MISCELLANEOUS EXPENSES

	Year ending June 30, 1904.	Year ending June 30, 1903.
Debit Joint Track Rentals	$964,438 33	$898,517 62
Credit " " "	151,840 71	63,500 00
	$812,797 62	$835,017 62
Miscellaneous Expenses	4,406 00	35,422 50
	$817,205 62	$870,440 12

2. ANALYSIS OF ADDITIONS TO PROPERTY AND OTHER CHARGES.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Additions to Property as per Table "F"	$591,448 10	$253,132 15
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	33,069 68	59,656 65
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00
Premium on Gold Equipment Sinking Fund Bonds.	2,568 75	4,520 00
Appropriation for New Equipment	323,661 11	400,000 00
	$1,050,745 64	$817,288 80

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B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1903.
July	$ 2,000,158 67	$ 1,721,531 98
August	2,121,456 47	1,908,705 28
September	2,289,688 87	1,940,910 79
October	2,206,296 60	1,970,096 31
November	1,818,078 77	1,714,998 95
December	1,861,094 15	1,694,945 84
January	1,771,413 70	1,672,454 08
February	1,623,943 23	1,516,613 47
March	1,750,920 45	1,706,631 66
April	1,794,760 97	1,780,961 63
May	1,880,106 88	1,928,672 49
June	2,023,040 23	1,709,906 81
Total Earnings	$23,023,626 63	$21,140,828 94
Freight	$14,084,656 81	$13,227,478 75
Passengers	7,045,525 29	6,135,500 85
Mails	880,928 23	716,200 09
Express	683,703 85	464,645 19
Miscellaneous	848,812 45	497,004 06
Total Earnings	$23,023,626 63	$21,140,828 94
Per cent of Freight Earnings to Total	61.09	63.04
" " Passenger " "	30.60	29.02
" " Mail " "	3.81	3.39
" " Express " "	2.97	2.20
" " Miscellaneous " "	3.68	2.35
Operating Expenses (not including Taxes)	$17,683,508 65	$15,815,662 32
Taxes	$750,158 71	$684,702 96
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	74.81
Net Earnings (Taxes not deducted)	$5,340,117 78	$5,325,166 62
Per cent of Net to Gross Earnings	23.19	25.19
Average number of miles operated	2,516.7	2,483.3
Average Earnings per mile	$9,145 34	$8,513 20
Average Expenses per mile	7,026 47	6,369 81
Net Earnings per mile	2,121 87	2,144 39

THE WABASH RAILROAD COMPANY.

Income Account—Year Ending June 30, 1904.

To Operating Expenses:—			By Earnings:—		
Maintenance of Way and Structures	$3,681,606 20		Freight Earnings	$14,064,656 81	
Maintenance of Equipment	3,473,001 68		Passenger "	7,045,535 29	
Conducting Transportation	9,978,628 79		Mail "	830,928 23	
General Expenses	550,270 38	$17,683,506 85	Express "	533,708 85	
Net Earnings carried down		5,340,117 78	Miscellaneous Earnings	548,812 45	$23,023,626 63
		$23,023,626 63			$23,023,626 63
To Interest on Bonds		$5,364,602 72	By Net Earnings brought down		$5,340,117 78
Rentals of Leased Lines		27,820 00	Sundry Amounts received for Rent of Tracks, etc		151,640 71
Rentals of Tracks, Bridges, etc.		964,488 23	Miscellaneous Receipts — Interest, Dividends, etc		489,706 07
Taxes		750,158 71			
Additions to Property		591,446 10			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		100,000 00			
Premium on Gold Equipment Sinking Fund Bonds of 1901		2,568 75			
Appropriation for New Equipment		328,661 11			
Sundry Accounts		87,477 68			
Dividends paid on Preferred Debenture Bonds		105,000 00			
Balance carried to Profit and Loss		14,291 16			
		$5,981,464 56			$5,981,464 56

Profit and Loss Account—Year Ending June 30, 1904.

To Toledo and Wabash Elevator Co.:—		By Balance to credit Profit and Loss Account, June	
Balance due in settlement of account written off	$ 4,548 27	30, 1903, brought forward	$969,994 49
Detroit Union R. R. Depot and Station Co.:—		Chicago & Western Indiana R. R. Sinking Fund	
Balance due for Rebate on Grain written off	544 41	Payments, July 1, 1903, to June 30, 1904	68,068 80
Expenses of Compton Case	2,815 47	Premium collected on Wabash R. R. First	
Amount paid out in connection with the purchase of the Champaign and Southeastern R. R. under decree of foreclosure	5,000 00	Mortgage Bonds, issued in exchange for Prior Lien Bonds	70,826 90
Discount and Commission on Sale of $100,000.00:—		Cash received in U. S. Mail, Conscience Money	400 00
Columbia and St. Louis R. R. First Mortgage Bonds	15,250 00	Received from Railway Share Trust and Agency Co. for assessments and fines in connection with exchange of Certificates for Debenture Bonds, Series B	1,156 84
Discount and Commission on Sale of $21,000.00:—		Final Dividend on Capital Stock, World's	
Kansas City, Excelsior Springs and Northern R. R. First Mortgage Bonds	3,202 50	Columbian Exposition, Chicago	920 00
Balance to credit Profit and Loss June 30, 1904	1,094,307 54	Balance brought down from Income Account, June 30, 1904	14,291 16
	$1,125,668 19		$1,125,668 19

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PAGE BOUND VERTICAL IN BOOK

D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1904.

(Per Condensed Balance Sheet.)

ASSETS.

	1904.	1903.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,335,419 38	$143,882,500 00	$1,452,919 38	
Supplies and Materials on Hand	1,641,051 84	1,244,803 46	396,248 38	
Cash on Hand	1,152,777 23	967,034 96	185,742 27	
Investments in Stocks and Bonds (2)	17,661,089 14	1,553,020 34	16,108,068 80	
Sundry Accounts Collectible—				
Due from Agents	343,328 54	520,891 43		177,562 89
From U. S., Carrying Mails	209,096 67	179,975 79	29,120 88	
Pacific Express Co.	105,215 00	61,621 59	43,593 41	
Sundry Railroads and Individuals	1,546,386 94	612,497 20	933,889 74	
Bills Receivable	1,875 00	53,239 27		51,364 27
Advances Fast Freight Lines Account Working Fund	37,978 10	43,004 74		5,031 64
Advances on Account Real Estate in St. Louis	634,088 98	1,033,524 83		399,435 85
Miscellaneous (3)	3,494,601 12	659,689 38	2,834,911 74	
	$172,192,302 90	$150,832,202 97	$21,360,099 93	

LIABILITIES.

	1904.	1903.	Increase.	Decrease.
Common Stock	$38,000,000 00	$28,000,000 00	$10,000,000 00	
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (4)	100,513,000 00	91,949,000 00	8,564,000 00	
Interest Due	270,171 59	186,403 25	83,768 34	
Interest Accrued, not Due	693,361 68	696,885 85		$ 3,524 17
Dividends Debenture Bonds, Series "A" due		105,000 00		105,000,00
Sundry Accounts Payable—				
Vouchers and Pay Rolls	3,734,692 89	2,738,405 58	996,287 31	
Sundry Railroads and Individuals	356,055 38	466,607 12		110,551 74
Taxes Accrued, not due	388,877 00	386,337 60	2,539 40	
Hospital Account	5,966 20	5,183 00	803 20	
Bills Payable—				
Notes Payable	414,000 00	28,286 66	390,713 34	
Equipment Notes of Long Date (5)	2,311,088 96	583,080 32	1,728,006 64	
Proceeds sale Debenture Bonds, Series "B"	389,287 50	389,287 50		
Equipment Fund Account		311,959 80		311,959 80
Miscellaneous	41,576 18	40,871 82	704 36	
Balance to credit, Profit and Loss	1,094,307 54	969,994 49	124,313 05	
	$172,192,302 90	$150,832,202 97	$21,360,099 93	

(1) Increase is due to cost of new Terminals in St. Louis, $1,527,000.00; less Gold Equipment Sinking Fund Bonds retired, $100,000.00.

(2) Increase is due to investment in Capital Stock of The Wabash-Pittsburgh Terminal Ry., $10,000,000.00, and First Mortgage Bonds of The Wabash-Pittsburgh Terminal Ry., $6,154,000.00.

(3) Increase is due to amounts carried in suspense on account of purchase of new equipment.

(4) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $1,664,000.00; Wabash R. R. Equipment Gold Bonds Series A, $240,000.00; Wabash R. R. temporary 5% Collateral Notes, $6,160,000.00; less Gold Equipment Sinking Fund Bonds retired, $100,000.00.

(5) See Note 3.

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E

THE WABASH RAILROAD COMPANY.

Operating Expenses—Year Ending June 30, 1904.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Repairs of Roadway	$1,950,007 26	$1,672,802 45
Renewals of Rails	188,963 21	347,412 21
do of Ties	421,804 69	343,008 50
Repairs and Renewals of Bridges and Culverts	522,933 43	815,290 78
do do Fences, Road C., etc	114,343 15	106,272 63
do do Buildings and Fixtures	421,079 68	350,406 94
do do Docks and Wharves	7,864 43	17,777 26
do do Telegraph	51,332 82	42,078 89
Stationery and Printing	3,104 67	4,175 81
Other Expenses	774 66	2,294 13
Total	$3,681,608 00	$3,700,961 69

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 98,726 73	$ 95,655 32
Repairs and Renewals of Locomotives, Passenger	582,322 63	441,665 03
do do Locomotives, Freight	951,180 46	870,199 51
do do Passenger Cars	407,263 06	348,447 05
do do Freight Cars	1,034,446 09	867,129 55
do do Work Cars	40,214 16	31,148 80
do do Marine Equipment	34,671 67	29,359 13
do do Shop Machinery & Tools	223,079 13	273,821 43
Stationery and Printing	8,238 32	7,893 70
Other Expenses	152,859 43	101,544 43
Total	$3,475,001 68	$3,114,663 95

CONDUCTING TRANSPORTATION—PASSENGER.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 105,332 01	$ 89,652 22
Engine and Roundhouse Men	571,488 32	519,283 19
Fuel for Locomotives	560,868 37	431,702 87
Water Supply for Locomotives	33,539 08	31,559 33
Oil, Tallow and Waste, for Locomotives	25,013 83	25,865 39
Other Supplies for Locomotives	14,626 86	11,414 39
Train Service	393,433 15	351,583 49
Train Supplies and Expenses	280,704 74	246,336 72
Switchmen, Flagmen and Watchmen	192,380 06	162,915 67
Telegraph Expenses	111,993 97	98,187 02
Station Service	221,976 99	211,316 05
Station Supplies	31,483 58	28,631 22
Car Mileage—Balance	186,201 55	191,391 10
Hire of Equipment—Balance	4,788 91	4,290 62
Loss and Damage	22,857 37	28,229 02
Injuries to Persons	55,110 24	177,859 03
Clearing Wrecks	9,641 80	4,079 57
Operating Marine Equipment	8,773 49	7,770 28
Advertising	100,724 79	85,256 37
Outside Agencies	59,322 11	153,819 18
Commissions		
Rents for Tracks, Yards and Terminals	167,314 46	149,616 54
do of Buildings and Other Property	78,744 39	61,847 82
Stationery and Printing	60,749 76	52,844 87
Other Expenses	1,725 45	2,302 41
Total	$3,398,285 28	$3,122,114 38

E—*Continued.*

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—*Continued.*

CONDUCTING TRANSPORTATION—FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Superintendence	$ 186,827 53	$ 148,388 03
Engine and Roundhouse Men	1,098,695 85	980,417 61
Fuel for Locomotives	1,300,622 15	973,880 43
Water Supply for Locomotives	70,239 24	67,858 90
Oil, Tallow and Waste for Locomotives	42,773 37	38,194 49
Other Supplies for Locomotives	27,557 72	21,288 18
Train Service	753,901 70	647,305 23
Train Supplies and Expenses	98,789 79	84,430 89
Switchmen, Flagmen and Watchmen	527,352 02	444,084 70
Telegraph Expenses	228,231 26	199,698 89
Station Service	1,086,895 50	988,625 37
Station Supplies	60,026 04	49,228 92
Car Mileage—Balance	287,757 91	112,239 29
Hire of Equipment—Balance	43,772 86	16,571 29
Loss and Damage	156,068 87	99,810 74
Injuries to Persons	73,197 45	53,768 43
Clearing Wrecks	32,349 82	19,923 34
Operating Marine Equipment	59,596 88	51,618 99
Advertising		
Outside Agencies	363,853 54	351,106 92
Commissions	11,028 86	8,342 98
Stock Yards and Elevators		
Rents for Tracks, Yards and Terminals	44,163 72	30,894 75
do of Buildings and Other Property	18,515 25	14,672 61
Stationery and Printing	74,905 98	64,079 90
Other Expenses	2,877 17	3,963 86
Total	$6,589,943 51	$5,589,163 22

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Salaries of General Officers	$163,529 88	$ 93,138 47
do of Clerks and Attendants	220,873 42	197,717 39
General Office Expenses and Supplies	18,122 48	16,800 11
Insurance	50,522 58	49,060 40
Law Expenses	99,714 40	89,499 98
Stationery and Printing (General Offices)	31,981 97	27,976 72
Other Expenses	15,575 67	14,575 05
Total	$550,370 38	$488,759 07

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1903.
Maintenance of Way and Structures	$3,681,808 00	$3,700,981 69
Maintenance of Equipment	3,473,001 88	3,114,863 95
Conducting Transportation	9,978,625 79	8,511,277 61
General Expenses	550,370 38	488,759 07
Total Operating Expenses	$17,683,506 85	$15,815,882 32

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THE WABASH RAILROAD COMPANY.

ADDITIONS TO PROPERTY—YEAR ENDING JUNE 30, 1904.

New Yards, Main, Side and Spur Tracks	$213,457 33
Double Track, Ashburn to Worth	76,982 34
" " Litchfield to Worden	100,874 36
" " Poag to Bridge Junction	59,798 46
New Tracks, Terminals, etc., Twenty-third Street to Page Avenue, St. Louis	92,806 96
Additions to Y. M. C. A. Building, Decatur, Ill	4,656 50
Cost of Terminals in Quincy	37,541 35
Cost of Real Estate in Toledo	5,328 80
Total	$591,446 10

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G

THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1903.	Per Cent. Increase.	Per Cent. Decrease.
Tons Carried, Revenue Freight	9,696,995	9,691,514	0.06	
Tons Carried, Company Freight	2,013,016	1,833,755	9.78	
Total Tons Carried	11,712,011	11,525,269	1.62	
Tons carried one Mile, Revenue Freight	2,175,690,058	2,198,073,333		1.02
Tons carried one Mile, Company Freight	224,967,904	215,088,765	4.58	
Total Tons carried one Mile	2,400,617,962	2,413,162,148		0.52
Average distance each Ton carried	205.0 Miles.	209.4 Miles.		2.10
Earnings from Freight Traffic	$14,044,556 81	$13,237,478 75	6.09	
Operating Expenses	11,749,082 00	10,218,415 42	14.99	
Average Earnings per Ton	$1 45.01	$1 37.32	5.45	
Average Expenses per Ton	1 21.14	1 06.42	13.83	
Average Rate per Ton per Mile	Cts. 0.6464	Cts. 0.6083	6.31	
Average Expenses per Ton per Mile	" 0.5490	" 0.4692	16.99	
Average Net per Ton per Mile	" 0.1064	" 0.1371		22.39
Total Freight Train Mileage	7,898,295	7,284,158	4.31	
Average Earnings per Train Mile	$1 85.10	$1 82.97	1.16	
Average Expenses per Train Mile	1 54.63	1 41.59	9.21	
Average Net Earnings per Train Mile	0 30.47	0 41.38		26.37
Car Mileage, Loaded	140,074,008	135,424,005	3.43	
Car Mileage, Empty	52,644,518	52,573,324	0.13	
Car Mileage, Total—Loaded and Empty	192,718,526	187,997,329	2.51	
Average Loaded Cars per Train	18.42	18.50		0.43
Average Empty Cars per Train	6.93	7.22		4.02
Average Total Cars per Train	25.38	25.81		1.74
Average Load per Loaded Car—Tons	17.14	17.32		3.82
Average Load per Car, Loaded and Empty—Tons	12.46	12.84		2.96
Average Load per Train—Tons—including Company Freight	315.94	331.29		4.63
Average Load per Train—Tons—Revenue Freight only	286.34	301.76		5.11
Average Earnings per Loaded Car per Mile	Cts. 10.04	Cts. 9.84	2.03	
Average Expenses per Loaded Car per Mile	" 8.39	" 7.62	10.10	

PASSENGER.

Number of Passengers carried	6,182,474	5,948,913	3.94	
Number of Passengers carried one Mile	369,283,834	330,111,942	11.87	
Average distance each Passenger carried	59.7 Miles.	55.5 Miles.	7.57	
Earnings from Passenger Traffic	$7,045,525 29	$6,135,500 85	14.83	
Earnings, including Mail, Express, etc.	8,580,184 02	7,470,992 23	14.85	
Operating Expenses	5,994,426 85	5,502,246 90	7.85	
Average Revenue per Passenger	$1 13.94	$1 03.14	10.47	
Average Cost carrying each Passenger	0 96.97	0 92.49	3.76	
Average Rate per Passenger per Mile	Cts. 1.908	Cts. 1.859	2.64	
Average Cost per Passenger per Mile	" 1.607	" 1.667		3.60
Average Net per Passenger per Mile	" 0.301	" 0.192	56.77	
Total Passenger Train Mileage	8,100,348	7,715,162	4.99	
Average Earnings per Train Mile	$1 05.92	$0 96.84	9.38	
Average Expenses per Train Mile	0 78.26	0 71.32	2.72	
Average Net Earnings per Train Mile	0 32.66	0 25.52	27.98	
Car Mileage—Coaches and Sleepers	28,619,997	27,128,690	5.50	
Total Car Mileage, including Baggage, Mail, Express and Sleepers	37,722,660	36,134,240	4.40	
Average number Cars per Train	4.66	4.68		0.43
Average number Passengers per Coach and Sleeper	12.90	12.17	6.00	
Average number Passengers per Train	45.58	42.79	6.54	
Average Earnings per Car per Mile	Cts. 22.75	Cts. 20.68	10.01	
Average Expenses per Car per Mile	" 15.78	" 15.23	3.29	

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THE WABASH RAILROAD COMPANY.

Tonnage of Articles Carried.

Articles.	Year ending June 30th, 1904.		Year ending June 30th, 1903.	
	Per Cent.	Tons.	Per Cent.	Tons.
Products of Agriculture:—	**21.39**		**23.65**	
Wheat	2.03	197,448	3.45	334,822
Corn	7.94	770,092	7.81	756,785
Other Grain	3.07	297,496	4.38	409,782
Flour	1.81	175,288	1.99	193,329
Other Mill Products	2.83	274,055	2.68	259,963
Hay	1.40	188,178	1.87	182,292
Tobacco	0.05	5,260	0.05	4,480
Cotton	0.42	40,284	0.12	11,438
Fruits and Vegetables	1.84	178,195	1.95	189,890
Products of Animals:—	**6.92**		**6.68**	
Live Stock	3.78	366,486	3.67	352,135
Dressed Meats	1.10	106,761	1.11	107,985
Other Packing House Products	1.39	135,208	1.20	116,135
Wool	0.07	6,974	0.08	7,315
Hides and Leather	0.58	56,113	0.66	63,947
Products of Mines:—	**33.44**		**31.99**	
Stone, Sand, etc.	3.34	323,564	2.31	223,530
Anthracite Coal	3.31	321,011	3.32	325,297
Bituminous Coal	25.91	2,512,772	26.33	2,551,879
Coke	0.44	42,666	0.39	37,477
Ores	0.44	42,704	0.64	62,293
Products of Forest:—	**7.60**		**7.46**	
Lumber	5.51	534,847	5.65	547,639
Other Articles	2.09	202,491	1.81	175,255
Manufactures:—	**8.98**		**9.42**	
Petroleum and Other Oils	0.96	93,527	1.05	102,228
Sugar	0.30	29,333	0.28	24,706
Iron, Pig and Bloom	0.40	38,483	0.61	59,094
Iron and Steel Rails	0.66	64,264	1.30	126,897
Other Castings and Machinery	0.65	63,126	0.58	56,271
Bar and Sheet Metal	1.34	129,427	1.33	129,355
Cement, Brick and Lime	2.79	270,798	2.34	226,628
Agricultural Implements	0.35	34,153	0.44	43,094
Wagons, Carriages, Tools, etc.	0.13	13,268	0.14	13,844
Wines, Beer and Liquors	1.08	104,897	0.94	90,815
H. H. Goods and Furniture	0.32	31,489	0.33	31,527
Merchandise	6.76	655,350	6.41	620,327
Miscellaneous	14.91	1,445,716	14.39	1,394,770
Total Tons	100.00	9,698,995	100.00	9,691,514
Company's Freight		2,013,016		1,833,755

THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Three Years.

Year.	Miles Road Operated.	Earnings Per Mile.	Operating Expenses Per Mile.	Net Earnings Per Mile.	Tons Freight Carried.	Tons Carried One Mile.	Rate Per Ton Per Mile. (cents.)	Expenses Per Ton Per Mile. (cents.)	Net Earnings Per Ton Per Mile. (cents.)	Freight Train Mileage.	Freight Train Earnings Per Mile.	Freight Train Expenses Per Mile.	Freight Train Net Earnings Per Mile.
1882	3,401.6	$4,364 05	$3,652 49	$1,301 56	5,911,012	1,247,611,220	0.951	0.694	0.257	8,599,680	$1 28.00	$1 00.70	$0 27.30
1883	3,587.5	4,715 02	3,837 78	827 26	5,859,596	1,263,790,523	0.948	0.787	0.161	9,486,967	1 26.28	1 04.79	0 21.49
1884	3,592.5	4,650 93	3,896 35	754 48	6,358,761	1,373,842,462	0.857	0.737	0.120	9,612,370	1 22.50	1 05.33	0 17.17
1885	2,912.8	4,728 26	3,985 80	742 46	5,553,571	1,183,951,196	0.802	0.699	0.103	7,726,106	1 22.98	1 07.16	0 15.82
1886	2,191.4	5,843 26	4,308 62	1,535 24	5,486,067	1,101,685,716	0.818	0.605	0.213	6,210,422	1 45.11	1 07.30	0 37.81
1887	1,989.6	6,745 50	4,757 23	1,988 28	6,409,301	1,075,047,082	0.855	0.623	0.232	5,787,140	1 59.33	1 18.15	0 43.18
1888	1,950.1	6,824 26	5,014 40	1,809 86	6,231,879	1,072,298,610	0.750	0.638	0.112	5,958,518	1 34.98	1 14.86	0 20.12
Year ending June 30													
1889	1,944.4	6,475 25	5,047 44	1,427 81	6,227,780	1,094,717,509	0.756	0.627	0.129	6,102,092	1 35.55	1 12.41	0 23.14
1890	1,922.3	6,946 30	5,032 11	1,914 19	6,832,358	1,430,197,332	0.647	0.479	0.168	7,286,082	1 27.07	0 94.07	0 33.00
1891	1,932.9	6,775 33	4,974 37	1,800 96	6,258,064	1,209,179,056	0.733	0.563	0.170	6,611,126	1 34.08	1 02.91	0 31.12
1892	1,916.8	7,506 95	5,651 36	1,855 59	6,928,051	1,390,510,161	0.705	0.554	0.151	7,501,799	1 30.65	1 02.68	0 27.97
1893	1,890.0	7,524 04	5,718 31	1,805 73	7,096,387	1,409,033,492	0.688	0.559	0.133	7,587,247	1 27.09	1 02.39	0 24.70
1894	1,935.4	6,485 20	5,079 25	1,405 95	5,414,994	1,097,585,279	0.698	0.607	0.091	6,258,093	1 22.85	1 06.40	0 15.95
1895	1,935.4	6,179 52	4,609 40	1,570 12	5,811,587	1,100,976,202	0.721	0.560	0.161	6,345,891	1 27.02	0 98.65	0 28.37
1896	1,936.2	6,614 58	4,773 58	1,841 00	6,100,710	1,218,785,387	0.696	0.520	0.176	6,813,782	1 34.32	1 00.36	0 33.96
1897	1,936.2	5,953 30	4,121 04	1,832 26	5,964,780	1,149,989,024	0.661	0.470	0.191	5,402,191	1 40.77	1 00.00	0 40.77
1898	2,081.8	6,407 54	4,514 68	1,892 51	6,382,831	1,365,698,174	0.624	0.447	0.177	6,206,504	1 35.17	0 98.80	0 36.37
1899	2,277.7	6,319 52	4,571 05	1,748 47	6,987,841	1,666,830,054	0.553	0.421	0.132	7,101,234	1 29.78	0 98.87	0 30.86
1900	2,339.5	7,027 57	5,106 83	1,920 74	8,080,220	1,902,881,278	0.558	0.425	0.133	7,075,158	1 50.05	1 14.31	0 35.74
1901	2,360.8	7,437 39	5,402 72	2,034 67	8,354,949	1,978,962,458	0.564	0.426	0.138	6,981,266	1 59.84	1 23.69	0 36.15
1902	2,458.0	7,815 21	5,679 88	2,135 33	8,578,803	1,947,404,142	0.604	0.463	0.141	6,841,121	1 71.95	1 31.78	0 40.17
1903	2,483.8	8,513 20	6,368 81	2,144 39	9,891,514	2,198,078,388	0.606	0.469	0.137	7,284,158	1 83.97	1 41.59	0 41.38
1904	2,516.7	9,148 34	7,026 47	2 121 87	9,698,995	2,175,680,058	0.646	0.540	0.106	7,598,295	1 85.10	1 54.63	0 30.47

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J—*Continued.*

THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-THREE YEARS—*Continued.*

YEAR.	Average Load Per Car. (Tons.)	Average Fr'ght Train Load. (Tons.)	Number Passengers Carried.	Number Passengers Carried One Mile.	Rate per Passenger Per Mile. (cents.)	Expenses Per Passenger Per Mile. (cents.)	Net Earnings Per Pas'gr Per M. (cents.)	Passenger Train Mileage.	Passenger Train Earnings Per Mile.	Passenger Train Expenses Per Mile.	Passenger Train Net Earnings Per Mile.	Average No. of Paying Passengers Per Car.	Average No. of Paying Passengers Per Train.
1882	9.68	145.07	4,251,393	166,198,586	2.373	1.804	0.569	4,942,209	$0 97.70	$0 60.80	$0 37.10	11.10	33.80
1883	9.58	133.21	3,905,665	154,727,718	2.498	2.190	0.308	4,866,465	1 00.26	0 69.64	0 30.62	10.39	31.79
1884	10.12	142.92	4,046,577	154,700,993	2.366	2.251	0.115	5,024,882	0 93.70	0 69.29	0 24.41	10.19	30.79
1885	10.36	153.24	3,180,644	138,274,372	2.314	2.247	0.067	4,525,662	0 91.13	0 68.65	0 22.48	10.28	30.55
1886	10.80	177.39	2,726,166	131,005,562	2.186	2.120	0.066	3,971,677	0 91.63	0 69.94	0 21.69	10.11	32.98
1887	11.01	186.41	2,802,036	143,762,871	2.312	1.923	0.289	4,103,310	0 97.41	0 67.41	0 30.00	10.07	33.04
1888	10.94	179.96	3,073,231	157,146,534	2.096	1.867	0.229	4,521,426	0 89.78	0 64.90	0 24.88	9.89	34.76
Year ending June 30.													
1889	11.08	179.40	3,059,772	152,404,045	2.150	1.939	0.211	4,525,866	0 88.65	0'65.28	0 23.37	9.89	33.67
1890	12.15	196.29	3,115,604	149,183,008	2.130	1.890	0.240	4,475,662	0 86.04	0 53.99	0 25.05	9.67	33.83
1891	11.51	182.90	3,416,076	149,904,203	2.178	1.842	0.336	4,559,766	0 88.16	0 60.57	0 27.59	9.11	32.88
1892	12.09	185.36	3,828,749	170,201,067	2.057	1.839	0.218	4,714,252	0 91.81	0 66.88	0 24.93	9.75	36.10
1893	12.28	186.20	3,934,918	177,119,065	2.009	1.727	0.282	4,805,338	0 91.87	0 63.67	0 28.20	9.08	36.86
1894	11.94	175.39	3,724,574	210,281,487	1.877	1.508	0.369	5,133,272	0 92.61	0 61.79	0 30.82	11.49	40.96
1895	12.26	176.29	3,404,771	139,472,829	2.146	1.979	0.167	4,917,128	0 77.30	0 56.13	0 21.17	8.41	28.36
1896	12.67	193.04	3,542,042	158,966,979	2.038	1.828	0.210	5,019,857	0 81.41	0 57.89	0 23.52	9.42	31.66
1897	13.86	212.87	3,149,170	135,963,860	2.087	1.895	0.192	4,823,090	0 77.87	0 53.43	0 24.14	8.75	28.19
1898	12.99	216.55	3,517,682	180,359,167	1.957	1.774	0.183	5,499,994	0 81.70	0 58.18	0 23 52	9.65	32.79
1899	14.83	255.12	3,751,019	210,592,939	1.897	1.610	0.287	6 270,751	0 79.42	0 54.06	0 25.36	9.91	33.58
1900	15.07	291.02	4,277,736	233,848,065	1.913	1.550	0.363	6,644,720	0 84.03	0 58.09	0 25.94	9.97	35.19
1901	15.67	309.00	4,943,016	264,268,214	1.885	1.558	0.327	7,237,313	0 85.14	0 56.89	0 28.25	10.53	36.51
1902	16.69	316.38	5,109,502	322,708,490	1.791	1.497	0.294	7,691,050	0 91.40	0 62.83	0 28.57	12.00	41.96
1903	17.82	331.29	5,948,913	330,111,942	1.859	1.667	0.192	7,715,162	0 96.84	0 71.32	0 25.52	12.17	42.79
1904	17.14	315.94	6.183.474	389,283.884	1.908	1.607	0.301	8,100,848	1 05.92	0 73.26	0 32.66	12.90	45.80

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THE WABASH RAILROAD COMPANY.

Statement of Funded Debt and Interest Charges.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,011,000 00	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1889	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 3,500,000 00 B 26,500,000 00	6%	Jan. and July.	*
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	2,700,000 00	5%	Mar. and Sept.	135,000 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1891	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	3,000,000 00	3½%	April and Oct.	105,000 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,800,000 00	4%	Jan. and July.	64,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1878	Oct., 1908	488,000 00	8%	April and Oct.	28,080 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1928	100,000 00	4%	Jan. and July.	4,000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1902	May, 1942	200,000 00	4%	May and Nov.	8,000 00
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	1,664,000 00	4%	Jan. and July.	66,560 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	840,000 00	5%	May and Nov.	40,950 00
The Wabash R. R. Co., Temporary 5% Collateral Notes	May, 1904	May, 1907	6,160,000 00	5%	May and Nov.	308,000 00
Leased Line Bonds.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1878	July, 1908	421,000 00	6%	Jan. and July.	25,260 00
Total			$100,513,000 00			$3,422,850 00

*Interest payable if earned.

Note.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $3,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1904.

The total authorized issue of Omaha Division First Mortgage Bonds is $3 500,000.00. The total amount issued and outstanding June 30, 1904, is $3,000,000.00, $500,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.00 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and in the acquisition of additional equipment.

Since July 1, 1903, the following Prior Lien Bonds have been exchanged for Wabash Railroad Company 1st Mortgage Bonds: St. Charles Bridge 1st Mortgage Bonds, $10,000.00; St. Charles Bridge 2d Mortgage Bonds, $239,000.00; Brunswick and Chillicothe Railroad Company 1st Mortgage Bonds, $264,000.00. Total amount exchanged, $513,000.00.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series A, for the first year ending May 1, 1905, is $40,950.00. Ten per cent of the principal sum—viz., $84,000.00—is payable each year, making a reduction in the annual interest charge, each year, $4,200.00 until the bonds have matured.

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SIXTEENTH

ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad

COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1905

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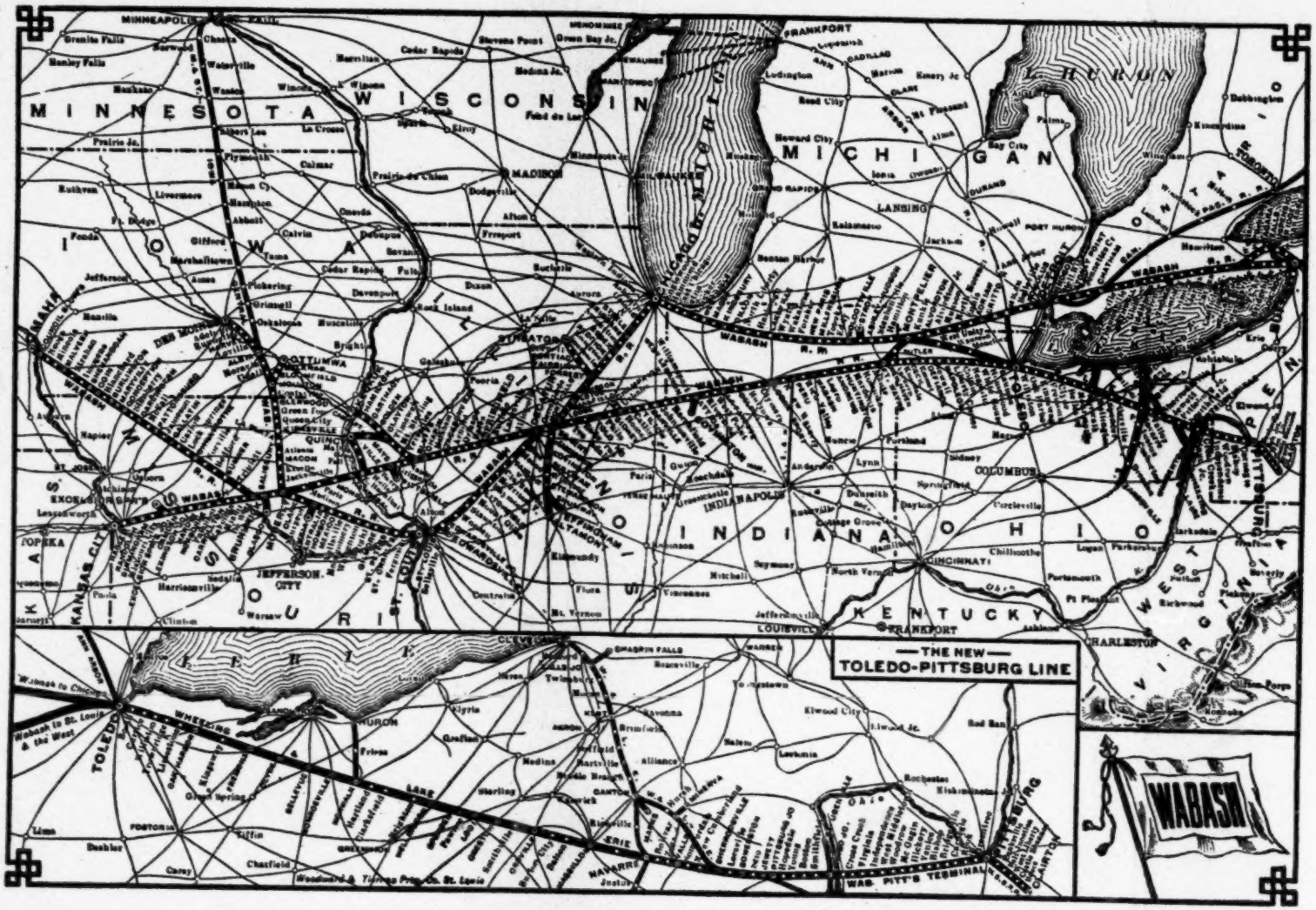
MINNESOTA
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KENTUCKY
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L. HURON
L. ERIE
THE NEW
TOLEDO-PITTSBURG LINE
WABASH

8335

Sixteenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For The Fiscal Year Ending
June 30th, 1905.

ST. LOUIS.
Woodward & Tiernan Printing Co.,
1905.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

OCTOBER 18th, 1905.

EDWARD T. JEFFERY, . . *Chairman of the Board.*
FREDERIC A. DELANO, . . *President.*
EDGAR T. WELLES, ... *Vice-President.*
WELLS H. BLODGETT, . . *Third Vice-President and General Counsel.*
E. B. PRYOR, ... *Fourth Vice-President and Asst. Sec'y.*
HENRY MILLER, ... *General Manager.*
C. N. TRAVOUS, ... *General Solicitor.*
GEORGE G. YEOMANS, . . *Assistant to President.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
S. E. COTTER, ... *General Superintendent.*
T. J. TOBIN, ... *Auditor.*
D. O. IVES, ... *General Traffic Manager.*
W. C. MAXWELL, ... *Asst. General Traffic Manager.*
S. B. KNIGHT, ... *General Freight Agent.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
D. I. FORSYTH, ... *Acting Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
C. A. HOW, ... *Acting Purchasing Agent.*
I. R. L. WILES, ... *Supply Agent.*
A. O. CUNNINGHAM, . . . *Chief Engineer.*
J. B. BARNES, ... *Supt. Locomotive and Car Dept.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
DR. H. W. MOREHOUSE, . . *Chief Surgeon.*

DIRECTORS.

GEO. J. GOULD,
EDWARD T. JEFFERY,
EDGAR T. WELLES,
WILLIAM B. SANDERS,
FREDERIC A. DELANO,
WELLS H. BLODGETT,
S. C. REYNOLDS,
ROBERT C. CLOWRY,
THOS. H. HUBBARD,
JOHN T. TERRY,
RUSSELL SAGE,
WINSLOW S. PIERCE,
ROBERT M. GALLOWAY.

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In Memoriam

THE Directors of the Wabash Railroad Company record their affectionate remembrance of their former President,

OSSIAN D. ASHLEY,

who died on December 16th, 1904, and their recognition of his long and eminent service in the interest of the company and its patrons.

Mr. Ashley's connection with the present company, and the companies it succeeded, covered a period of some thirty years. He was its cheerful and undaunted counselor in time of adversity, and its wise and conservative guide in time of prosperity. He gave his constant thought and his mature and marked ability to the arduous work that made the basis of the company's present success and strength, and through his safe and conservative policy the company steadily advanced in its service to the public and in value to its owners. It is not eulogy, but simple truth, to say that all who knew him conceded his manly courage, his exceptional strength and his inflexible honesty.

The Directors also record that, in the death, on March 27th, 1905, of Vice-President and Freight Traffic Manager,

MILTON KNIGHT,

the company lost the services of one of its oldest and most valued officials, who had, by his unquestioned integrity and kindness of manner, endeared himself to all his associates, and who, by his ability and strength of character, had attained the highest rank among the traffic officials of the country.

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SIXTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30th, 1905

NEW YORK, N. Y., OCTOBER 18TH, 1905.

TO THE STOCKHOLDERS AND DEBENTURE
MORTGAGE BONDHOLDERS OF
THE WABASH RAILROAD COMPANY,

GENTLEMEN:—

The report for the year ending June 30th, 1905, is submitted herewith, and while showing a large increase in gross earnings ($1,672,973.47), it also shows an increase in operating expenses of $2,819,935.70, or a decrease in net earnings of $1,146,962.23, but an analysis of the extraordinary expenditures charged direct to operating expenses will fully explain the decrease.

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STATISTICS.

The following statement gives in condensed form the revenues, expenses, charges, etc., for the fiscal year as compared with the previous year:

	1903—1904.	1904—1905.
Total revenue of the Company from all sources was	$23,513,332 70	$25,434,940 27
Expenses of Operation, including taxes, track rentals and miscellaneous	19,250,873 18	22,089,940 82
	$ 4,262,459 52	$3,344,999 45
Interest on Bonds	3,092,422 72	3,468,572 17
Net Revenue	$ 1,170,036 80	$ 123,572 72*
Additions to Property	591,446 10	656,862 95
	$ 578,590 70	$ 780,435 67
Sinking Fund Charges, account new equipment; steamers	$ 459,299 54	$ 678,936 72
	$ 119,291 16	$1,459,372 39
Dividend on Debenture "A" Bonds	105,000 00	.....
Surplus to Profit & Loss Account	$ 14,291 16	.....
Deficit to Profit & Loss Account	.....	$1,459,372 39

The growth of the traffic and revenues since 1897 is shown by the following comparisons:

Year.	Ton Miles.	Passenger Miles.	Gross Earnings.
1897	1,149,989,024	135,963,860	$11,526,787 00
1898	1,365,693,174	180,359,167	13,207,862 00
1899	1,666,830,054	210,592,939	14,393,974 00
1900	1,902,881,278	233,848,065	16,440,990 00
1901	1,978,952,453	264,268,214	17,554,465 00
1902	1,947,404,142	322,708,490	19,053,493 00
1903	2,198,073,383	330,111,942	21,140,829 00
1904	2,175,680,058	369,283,834	23,023,626 00
1905	2,339,770,238	534,569,484	24,696,600 00

The increases in different classes of earnings were:

	1897.	1905.	Per cent Increase.
Freight	$ 7,604,769 95	$13,650,185 54	79. 5%
Passenger	2,837,973 54	8,917,828 77	214. 2%
Mail	542,635 09	837,088 25	54. 3%
Express	284,706 69	691,736 42	143. 0%
Miscellaneous	256,702 09	599,761 09	133. 6%
Total	$11,526,787 36	$24,696,600 10	114. 3%

* Deficit.

REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	1903-1904.	1904-1905.	Increase.
Gross Earnings	$23,025,626 63	$24,698,600 10	$1,672,973 47
Operating Expenses	17,683,506 85	20,503,444 55	2,819,935 70
Net Earnings	$5,340,117 78	$4,195,155 55	$1,145,962 22*
Per Cent. of Oper. Exp. to Earnings	76.81	83.02	6.21
Gross Earnings per mile	9,143 94	9,811 14	682 80
Operating Expenses per mile	7,026 47	8,145 34	1,118 87
Net Earnings per mile	2,121 87	1,665 80	456 07*

EARNINGS.

	Per Cent.	1903-1904.	Per Cent.	1904-1905.	Increase.
Freight	61.09	$14,064,656 61	55.27	$13,650,185 54	$ 414,471 27*
Passenger	30.60	7,045,535 29	36.11	8,917,828 77	1,872,293 48
Mail	2.61	630,928 23	2.39	587,088 23	6,160 05
Express	1.23	533,703 85	2.80	691,726 42	158,022 57
Miscellaneous	2.38	548,813 45	2.43	599,761 09	50,948 64
Total		$23,023,636 63		$24,696,600 10	$1,672,973 47

EXPENSES.

	Per Cent.	1903-1904.	Per Cent.	1904-1905.	Increase.
Maintenance of Way and Structures	20.82	$ 3,681,808 00	19.55	$ 4,007,505 59	$ 325,697 59
Maintenance of Equipment	19.64	3,473,001 68	22.31	4,575,148 43	1,102,146 75
Conducting Transportation	56.43	9,978,628 79	54.90	11,255,672 39	1,277,043 60
General Expenses	3.11	550,270 38	3.34	685,118 14	114,847 76
Total		$17,683,508 85		$20,503,444 55	$2,819,935 70

*Decrease.

ANALYSIS OF OPERATION.

Operating expenses increased $2,819,935.70 (15.95 per cent).

The increase of $1,672,973.47 in earnings is divided as follows:

Wabash, west of Detroit, Increase	$1,601,883 32
Buffalo Division, Increase	71,090 15

The increase of $2,819,935.70 in expenses is divided as follows:

Wabash, west of Detroit, Increase	$2,509,853 24
Buffalo Division, Increase	310,082 46

TRAFFIC.

FREIGHT.

The freight traffic statistics show an increase of 164,090,180 (7.54 per cent) in "tons revenue freight carried one mile," at an average rate of 0.5834 cents per mile, a decrease of 0.0630 cents (9.75 per cent), at a cost per ton mile of 0.5409 cents, an increase of 0.0009 cents (0.17 per cent), leaving a net profit of 0.0425 cents as compared with 0.1064 cents last year, a decrease of 0.0639 cents (60.06 per cent).

The average revenue per freight train mile was $1.7440 expense per mile $1.6168, and net earnings, $0.1272 against $1.8510, $1.5463 and $0.3047 respectively last year.

The total freight train mileage was 7,827,171, an increase of 228,876, or 3.01 per cent.

The loaded cars per train decreased 0.01 cars; the load per car increased 0.42 tons and the revenue train load was 298.93 tons against 286.34 tons last year, an increase of 12.59 tons 4.40 per cent. For the years 1895 to 1905 the revenue train load and load per car, have been as follows:

Year.	Train Load.	Car Load.
1895	176.29 tons.	13.37 tons.
1896	193.04 "	13.80 "
1897	212.87 "	14.00 "
1898	216.55 "	14.16 "
1899	234.72 "	14.83 "
1900	268.94 "	16.07 "
1901	283.47 "	16.67 "
1902	284.66 "	16.69 "
1903	301.76 "	17.82 "
1904	288.34 "	17.14 "
1905	298.93 "	17.56 "

The actual train load, including company freight, was 323.44 tons, against 315.94 tons last year.

The increase in train load over 1895 has been 122.64 tons, and car load has increased 4.19 tons.

In the preparation of train statistics, all loaded cars, whether "revenue," freight or "company" freight, are included in "loaded cars per train."

With an increase of 7.54 per cent in "services rendered" i. e., "tons carried one mile," there was a decrease in freight revenue of $414,471.27 (2.95 per cent), with an increase of $905,988.34 (7.71 per cent), in expenses of freight traffic. While the increase in freight tonnage was 568.441 tons (5.86 per cent), the increase in freight train service was 3.01 per cent.

PASSENGER.

"Passengers carried one mile" increased 165,285,650 (44.76 per cent), and in revenue $1,872,303.48 (26.57 per cent). There was an increase of $94,740.31 on the Buffalo Division, and an increase of $1,777,563.17 on the Wabash proper.

The rate per passenger per mile was 1.668 cents, a decrease of 0.240 cents, and expenses per passenger per mile 1.468 cents, a decrease of 0.139 cents, leaving 0.200 cents per mile net, as against 0.301 cents last year, a loss of 33.55 per cent

Train earnings per mile were 1:1076, a gain of 4.84 cents; the expenses were 81.81 cents per train mile, an increase of 85.5 cents, and net earnings per train mile were 28.95 cents against 32.66 cents in 1904.

The "passengers carried one mile" increased 44.76 per cent, while the cost of passenger train service increased 32.25 per cent, and the actual number of passengers carried was 6,615,459, an increase of 431,985 (6.99 per cent).

Statistics of freight and passenger traffic show the earnings divided between the two classes of traffic as follows:

Freight train gross earnings.....	$13,650,185.54	(56.23%)
Passenger train gross earnings...	10,626,252,08	(43.77%)

Passenger train earnings include mail, express, etc.

OPERATION AND MAINTENANCE.

Expenses of operation and maintenance increased as follows:

	Buffalo Division.	Wabash Proper.	Total.
Maintenance of Way and Structures	$ 93,158 33	$ 232,739 26	$ 325,897 59
Maintenance of Equipment	91,472 35	1,010,674 40	1,102,146 75
Conducting Transportat'n	124,579 34	1,152,464 26	1,277,043 60
General Expenses	872 44	113,975 32	114,847 76
Total	$310,082 46	$2,509,853 24	$2,819,935 70

The principal items of increase were as follows:

Maintenance of Way and Structures—		
Renewals of Rails	$235,619 95	
Renewals of Ties	212,769 87	
Renewals of Buildings, Etc	103,469 15	$551,858 97
Maintenance of Equipment—		
Repairs of Locomotives	124,269 04	
Repairs of Passenger Cars	38,016 95	
Repairs of Freight Cars	637,151 27	
Payments Account Equipment	302,491 21	1,101,928 47
Conducting Transportation—		
Fuel for Locomotives	94,840 38	
Engine and Roundhouse Men	127,026 58	
Train Service	85,257 23	
Train Supplies	140,750 81	
Station Service, Etc	123,817 62	
Car Mileage Balances	94,059 01	
Switchmen and Watchmen	37,494 26	
Telegraph Expenses	63,521 64	
Injuries to Individuals	330,105 99	
Loss and Damage	105,214 48	
Advertising	36,102 43	1,238,190 43

Maintenance of Way.

NEW STEEL RAIL LAID.

	1903-1904.	1904-1905.	Increase.	Decrease.
No. Tons 80-lb. New Rail	34,488.0	6,051.9	.....	28,436.1
Miles New Steel Rail Laid	275.0	48.5	.....	226.5

Note.—In the above statement there are included 56.7 tons, 0.5 mile of new 80-lb. rail laid on the Grand Trunk Section of the Buffalo Division, the Wabash paying its proportion on a wheelage basis.

MISCELLANEOUS WORK.

	1903-1904.	1904-1905.	Increase.	Decrease.
No. Cross-ties laid, Main Track	870,521	1,088,283	217,762	.....
" Cross-ties laid, Side Track	167,652	265,516	97,864	.....
" Sets Switch-ties put in	483	806	323	.....
" Miles Track ballasted (stone, gravel, burnt clay, etc.)	198.9	198.8	.....	0.1
" Miles Fence Rebuilt	160.4	248.6	88.2	.....
" Miles Old Fence Repaired	149.1	124.4	.....	24.7
" Miles New Fence Built	99.0	19.2	.....	79.8
" Miles Ditching	48.6	29.7	.....	18.9
" Miles Sidings and Spurs Built	55.7	44.2	.....	11.5

Note.—Included in the above are 154,968 cross ties, 48 sets switch ties, 68.5 miles of track ballasted, 22.8 miles of fence rebuilt, and 6.9 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; and 7,275 cross-ties and 2 sets switch-ties put in on the Erie Section of the Buffalo Division.

NUMBER OF FEET OF TRESTLE SHORTENED. REPLACED WITH IRON PIPE, FILLED, ETC., DURING THE YEAR ENDING JUNE 30TH, 1905.

	Shortened.	Replaced with Iron Pipe.	Filled and Abandoned.	Cost.
Buffalo Division	.....	.....	.....	.....
Detroit Division	80 feet.	30 feet.	8,728 feet.	$105,299 56
Eastern Division	71 "	445 "	.....	8,961 92
Middle Division	112 "	112 "	324 "	612 20
Springfield Division	32 "	.....	52 "	642 60
St. Louis Division	102 "	1,597 "	1,326 "	18,329 27
Western Division	.....	546 "	95 "	6,681 83
Total	397 feet.	2,730 feet.	10,525 feet.	$140,527 38

TOTAL DECREASE, IN LINEAL FEET, OF TRESTLE WORK.

	1903-1904.	1904-1905.
Buffalo Division	610	270
Detroit Division	704	9,418
Eastern Division	814	516
Middle Division	4,992	548
Springfield Division		84
St. Louis Division	3,954	102
Western Division	794	641
Total	11,868	11,579

EXTRAORDINARY REPAIRS AND RENEWALS, IMPROVEMENTS AND ADDITIONS.

REPAIRS AND RENEWALS.

Bridges, Wooden—	
Rebuilt 59 trestles at various points	$ 56,668 33
Harvey, Ia., Bridge No. 2891, renewed Howe truss	7,607 00
Total	$ 64,275 33
Wharves, Docks and Landings—	
Detroit, Mich.—Renewed C. P. slip dock	$ 7,716 53
Chicago, Ill.—Repaired dock and dock house and filling at 16th street (unfinished)	1,458 33
Total	$ 9,174 86
Passenger and Freight Stations, Shops and Other Buildings, etc.—	
Detroit, Mich.—Renewed driveway, team tracks	$ 333 06
Hand, Mich.—Rebuilt combination depot	1,482 22
Adrian, Mich.—Renewed passenger platform with brick	691 46
Adrian, Mich.—Renewed depot roof with slate	401 38
Montpelier, O.—Steam heat line for coaches	329 46
Montpelier, O.—Renewed engine terminal	14,768 50
Hamilton, Ind.—Rebuilt combination depot	1,551 29
Ashley, Ind.—Rebuilt combination depot	3,353 62
Ashley, Ind.—Extension and repairs to round house	2,496 22
Ashley, Ind.—Repairs to steam heating in round house	272 98
N. Liberty, Ind.—Renewed depot roof with slate	263 89
N. Liberty, Ind.—Renewed coal dock trestle	275 18
Ft. Wayne, Ind.—Extended transfer table pit	468 85
Burrows, Ind.—Rebuilt station platform	526 06
Lafayette, Ind.—Rebuilt frame four stall engine house	3,943 63
West Point, Ind.—Renewed station platform (unfinished)	169 60
State Line, Ind.—Rebuilt No. 3 depot	1,497 44
State Line, Ind.—Rebuilt station platform with brick	207 20
Whitehouse, O.—Rebuilt station platform	571 01
Whitehouse, O.—Rebuilt stock yards	233 48
Napoleon, O.—Rebuilt passenger platform with brick	343 17
Chicago, Ill.—Renewed roof and general repairs of round house	1,361 74
Chicago, Ill.—Planked team track at 12th street (unfinished)	648 04
Chicago, Ill.—Placed screens in windows of Wabash elevator	290 00
Worth, Ill.—Renewed timber platform with brick (unfinished)	509 85
Worth, Ill.—Built new No. 3-A depot to take place of old depot which was sold (unfinished)	689 34
Forrest, Ill.—Renewed railroad crossings at intersection of Wabash and T. P. & W. Ry	438 00
Gibson, Ill.—Renewed depot platform with concrete	15 40
Gibson, Ill.—Renewed railroad crossing at intersection of Wabash and I. C. R. R.	285 00
Proctor, Ill.—Renewed timber platform with brick	52 40
Mansfield, Ill.—Renewed railroad crossing at intersection of Wabash and C. C. C. & St. L. Ry	217 00

Lodge, Ill.—Renewed railroad crossings at intersection of Wabash and I. C. R. R.	$ 258 00
Lovington, Ill.—Extended, remodeled and painted depot	764 38
Decatur, Ill.—Renewed six stalls of old brick round house with six temporary frame stalls	4,738 06
Decatur, Ill.—Renewed 70 ft. 125 ton turntable with new 70 ft. 200 ton table	4,200 35
Blue Mound, Ill.—Renewed timber platform	663 28
Taylorville, Ill.—Paved driveway at passenger station with brick	2,292 53
Taylorville, Ill.—Threw 540 ft. of track for Paper Mill Co.	101 88
Litchfield, Ill.—Renewed railroad crossings at intersection of Wabash and C. C. C. & St. L. Ry	1,153 00
Edwardsville, Ill.—Paved crossing, put in concrete curbing and rebuilt platform, etc	2,906 53
Edwardsville, Ill.—Raised tracks, etc	2,284 85
Harristown, Ill.—Renewed timber platform with brick	334 32
Springfield, Ill.—Repaired tile floor and marble work in passenger station	300 18
Springfield, Ill.—Renewed cab shop pits with concrete	621 75
Jacksonville, Ill.—Rebuilt part of stock pens and sheds, account fire	228 09
Jacksonville, Ill.—Built new freight house to replace old one (unfinished)	5,798 32
Markham, Ill.—Built new No. 4 depot to replace one destroyed by fire	671 56
Versailles, Ill.—Built new frame depot to replace old one (unfinished)	127 53
St. Louis, Mo.—Sarah street, renewed crossing gates	396 34
St. Louis, Mo.—Olive road, renewed crossing gates	230 00
St. Louis, Mo.—Delmar avenue, renewed crossing gates	455 00
St. Louis, Mo.—Union avenue, renewed crossing gates	430 80
St. Louis, Mo.—Destrehan street, renewed crossing gates	323 33
St. Louis, Mo.—Bremen avenue, renewed crossing gates	346 00
St. Louis, Mo.—Ewing avenue, renewed track scales	1,241 52
Darst Place, Mo.—Rebuilt waiting shed and platform	124 09
Foristell, Mo.—Renewed depot roof and platform	584 09
Benton City, Mo.—Renewed platform	445 30
Moberly, Mo.—Renewed platform at freight house	1,413 49
Moberly, Mo.—Renewed track scale foundation	590 32
Macon, Mo.—Rebuilt baggage and express building	422 41
Queen City, Mo —Renewed depot roof and platform	348 55
Hamilton, Ia.—Rebuilt depot and platform	1,656 61
Salisbury, Mo.—Renewed depot and platform	2,648 91
Salisbury, Mo.—Renewed engine house	707 18
Keytesville, Mo.—Moved depot	251 01
Brunswick, Mo.—Renewed track scales	624 79
Miami, Mo.—Renewed platform	203 72
Carrollton, Mo.—Renewed roof of depot with slate	576 23
Carrollton, Mo.—Renewed wood platform	77 18
Mo. City, Mo.—Renewed depot	1,892 31
Mo. City, Mo.—Renewed coal and oil house	120 77
Mo. City, Mo.—Renewed water closet	46 27
Triplett, Mo.—Renewed platform	274 71
Jameson, Mo.—Renewed platform	382 06
Lock Springs, Mo.—Renewed platform	329 40
Council Bluffs, Ia.—Renewed platform	311 27
Total	$ 83,584 74

Renewals of tracks, 23d Street to Page Ave., St. Louis, Mo.—

Two main tracks relaid with 80 lb. rail, 23d St. to Union Ave	$	1,072 09
One main track, Union Ave. to Page Ave., relaid with 80 lb. rail		2,426 63
Total	$	3,498 72

Water and Fuel Stations.—

Belleville, Mich.—Rebuilt water plant	$	2,388 26
Milan, Mich.—Rebuilt water plant (unfinished)		34 24
Ashley, Ind.—Repairs to stand pipe		115 00
Defiance, O.—Rebuilt water tank		1,823 89
Ft. Wayne, Ind.—Relaid 4 inch water main to shops		446 49
Campus, Ill.—Built new pump house, to replace one destroyed by fire		186 55
Streator, Ill.—Erected water tank moved from Mitchell (unfinished)		1,214 85
Taylorville, Ill.—Renewed old 8 inch Poage standpipe, erected 1885, with new 12 inch Poage style "C"		335 54
Bluffs, Ill.—Raised coal chute sixteen inches		290 74
Ferguson, Mo.—Water tank on iron frame		1,680 96
St. Charles, Mo.—Changed standpipe to 12 inch		386 58
Macon, Mo.—New water tank on iron frame		1,441 84
Kirksville, Mo.—New water tank on iron frame		3,605 59
Gallatin, Mo.—Renewed tank		1,338 65
White Cloud, Iowa.—Renewed tank		1,377 59
Silver City, Iowa.—Renewed tank		1,533 84
Total	$	18,200 61

IMPROVEMENTS.

Steel Bridges (new) to Replace Wooden Bridges.—

French Landing, Mich.—Bridge No. 752, renewed Howe truss with deck spans and masonry	$	2,005 65
Whittaker, Mich.—Bridge No. 779, renewed pile trestle with masonry and through girder		92 65
Britton, Mich.—Bridge No. 821, renewed pile trestle with masonry and through girder		183 05
Montpelier, O.—Bridge No. 1357, renewed pile trestle with masonry and deck plate girder		2,850 03
Hamilton, Ind.—Bridge No. 1383, renewed pile trestle with masonry and deck plate girder		9,104 99
Montpelier, O.—Bridge No. 214, renewed pile trestle with solid floor deck girder		1,711 24
Artic, Ind.—Bridge No. 235, renewed pile trestle with masonry and solid floor deck girder (unfinished)		1,273 54
New Haven, Ind.—Bridge No. 317, renewed with masonry and solid floor deck girder		23 90
Ft. Wayne, Ind.—Bridge No. 323, renewed pile trestle with masonry and solid floor deck girder		26 78
Roanoke, Ind.—Bridge No. 351, renewed pile trestle with masonry abutments, one pier and solid floor two-span through girder		41 68

Roanoke, Ind.—Bridge No. 357, renewed pile trestle with masonry and deck girder	$ 263 57
Williamsport, Ind.—Bridge No. 683, renewed pile trestle with masonry and solid floor through girder	151 92
Danville, Ill.—Bridge No. 745, renewed with masonry and solid floor deck girder	76 25
Okolona, O.—Bridge No. 845, renewed with solid floor deck girder	839 50
Okolona, O.—Bridge No. 848, renewed with solid floor deck girder	260 54
Homer, Ill.—Bridge No. 34, renewing pile trestle with concrete abutments and solid floor construction (unfinished)	954 62
Sidney, Ill.—Bridge No. 42A, renewed pile trestle with new 45-foot girder (unfinished)	510 37
Sidney, Ill.—Bridge No. 45, renewed pile trestle with masonry abutments, solid floor and deck girder (unfinished)	2,714 67
Campus, Ill.—Bridge 1195, renewed pile trestle with masonry abutments and through solid floor girder (unfinished)	1,619 26
Wing, Ill.—Bridge No. 1240, renewed pile trestle with masonry and deck span	392 90
Osman, Ill.—Bridge No. 1348, renewed pile trestle with concrete masonry abutments and solid floor	740 15
Pontiac, Ill.—Bridge No. 1705, renewed pile trestle and through iron truss with two old trusses from Custer Park Bridge	4,723 48
Bruce, Ill.—Bridge No. 1526, renewed pile trestle and steel span with wood and old span from Custer Park bridge	3,983 33
Stonington, Ill.—Bridge No. 730, renewed pile trestle with concrete masonry abutments and solid floor construction	40 97
Poag, Ill.—Bridge No. 890, renewed pile trestle with masonry abutments and pier, and two fifty-foot through girders (unfinished)	2,290 64
Elm Point, Mo.—Bridge No. 69, renewed truss bridge with through steel girder and concrete abutments	2,512 57
St. Peters, Mo.—Bridge No. 84, renewed truss bridge with through steel girder with concrete abutments	1,984 53
Salisbury, Mo.—Bridge No. 449, renewed truss bridge with steel truss bridge	411 77
Keytesville, Mo.—Bridge No. 471, renewed truss bridge with steel truss bridge	923 76
Camden, Mo.—Bridge No. 567, renewed truss bridge with steel deck girder	435 75
South Liberty, Mo.—Bridge No. 604, renewed truss bridge with steel through girder	462 55
Total	$ 43,606 61

Trestles shortened, replaced with iron pipe, stone arches, box culverts, filled, wood culverts replaced with trestles, end walls on iron pipe, etc.	$133.719 49

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Steel Bridges Repaired and Strengthened—		
Huntington, Ind.—Bridge No. 377, renewed deck	$ 324	41
Huntington, Ind.—Bridge No. 378, renewed deck	633	21
Wea, Ind.—Bridge No. 607, renewed approaches and deck	1,532	74
New Haven, Ind.—Renewed highway bridge on account of old bridge washed out, due to changing channel of Six Mile Creek when the Ft. Wayne & Detroit line was built	3,642	16
Custer Park, Ill.—Bridge No. 1145, repainted through truss	389	09
Lodge, Ill.—Bridge No. 1392, repainted deck girder	23	13
Lodge, Ill.—Bridge No. 1393, repainted through girder	26	99
Lodge, Ill.—Bridge No. 1394, repainted deck girder	21	63
Mansfield, Ill.—Bridge No. 1362, repainted deck girder	24	06
Monticello, Ill.—Bridge No. 1401, repainted deck girder	117	80
Monticello, Ill.—Bridge No. 1402, repainted through girder	16	10
Effingham, Ill.—Bridge No. 1589, making general repairs	718	76
Sadorus, Ill.—Bridge No. 63, repainted through girder	49	53
Arnold, Ill.—Bridge No. 231, repaired and repointed masonry and sloped off bridge seats with concrete	251	23
Valley City, Ill.—Bridge No. 508, renewed protection piling	4,754	33
Meredosia, Ill.—Bridge No. 280, renewed protection piling	3,714	81
St. Charles, Mo,—Bridge No. 59, renewed deck on approaches	2,392	68
St. Charles, Mo.—Bridge No. 59, renewed deck on spans	122	32
St. Charles, Mo.—Bridge No. 59, painted approaches	1,068	52
St. Charles, Mo.—Bridge No. 59, rip-rapped each approach	637	27
St. Charles, Mo.—Bridge No. 59, Trussed stringers in approaches	256	29
Gilmore, Mo.—Bridge No. 116, renewed deck	1,383	85
Total	$ 22,100	91
New Steel Bridges to Replace Old Steel Bridges—		
St. Louis, Mo.—Bridge No. 11, renewed 45 ft. iron girder with 80 ft. steel girder, concrete abutments and solid floor	$ 19,109	04
Neeley's, Ill.—Bridge No. 275, replaced iron stringers on masonry with 35 ft. through steel girder (unfinished)	940	84
Total	$ 20,049	88
Improving Line and Reducing Grades—		
Custer Park, Ill.—Changed line and grade	$ 15,756	30
Monticello, Ill.—Changed line and grade	403	50
Carpenter, Ill.—Changed line and grade	1,161	09
Camden, Mo.—Changed line	8,984	58
Edwardsville, Ill.—Change of line and grade	1,801	69
Total	$ 28,107	16
For protection against Missouri River and Grand River at Harlem, Camden, Randolph, Hulls Point, Missouri City, Brunswick, Bridge 825 Western Division, change of river channel at McCurry, Mo., and against Illinois River at Meredosia, Ill	$ 8,802	90

ADDITIONS.

Second, Third, Yard, Side and Spur Tracks to Various Industries—

Buffalo Division	6.9	miles...	$ 68,040 08
Detroit Division	2.5	miles...	14,821 60
Eastern Division	4.0	miles...	23,456 72
Middle Division	15.2	miles...	69,891 99
Chicago Terminal (Landers yard)	4.6	miles...	37,235 07
E. St. Louis Terminal (Brooklyn yard)	5.3	miles...	46,222 73
St. Louis Terminal Facilities:			
Compton Ave. to Euclid Ave., Third track	1.85	miles...	19,998 73
Boyle Ave., Pass. Car storage yard	1.68	miles...	15,176 41
Boyle Ave., Frt. Car storage yard	1.44	miles...	1 60
Olive Road, new tracks	0.6	miles...	940 04
St. Louis Division	2.3	miles...	18,174 22
Western Division	1.3	miles...	6,090 01
Second Track—Litchfield to Worden	11.6	miles...	203,315 54
Second Track—Poag to Granite City	10.9	miles...	90,850 64
Second Track—Union Ave. to Page Ave	2.55	miles...	37,964 32
Total	72.72	miles...	$652,179 70

Interlocking Plants, Wabash Proportion—

Sulu, Ill.—Interlocking plant erected	$ 409 29
Knights, Ill.—Interlocking plant erected	2,143 83
Detroit, Mich.—Interlocking plant erected with P. M. R. R., D. U. Ry. crossing	1,694 56
Detroit, Mich.—Reconstructed Beaubien street interlocking plant, D. U. Ry. crossing	388 39
Delray, Mich.—Additions to P. M. R. R. interlocking tower, Wabash double track connection	1,632 39
Romulus, Mich.—Rebuilt interlocking tower, P. M. R. R. crossing	844 83
Raisin Center, Mich.—Rebuilt interlocking tower, L. S. & M. S. crossing	882 82
New Paris, Ind.—Rebuilt interlocking tower C. C. C. & St. L. crossing	958 70
Cecil, O.—Interlocking plant erected with Cincinnati Northern	1,539 80
Champaign, Ill.—Interlocking plant erected with I. C. R. R.	1,770 91
St. Louis, Mo.—Interlocking plant North Market street with Terminal R. R. Assn.	5,696 30
St. Louis, Mo.—Interlocking plant erected at Page avenue, Terminal R. R. Assn. connection	703 16
Willow Creek, Ind.—Rebuilt interlocking plant	1,701 39
Total	$ 20,366 35

New Buildings, or Additions to Passenger and Freight Stations, Shops and Other Buildings, etc.—

Detroit, Mich.—Warehouse scales 12th street freight house	$ 513 47
Detroit, Mich.—Warehouse scales Russell street freight house	146 94
Detroit, Mich.—Addition to platform, Russell street freight house	126 02
Delray, Mich.—Machinery for turning drawbridge	4,738 01
Romulus, Mich.—New stock pens	200 89
Romulus, Mich.—Extension to freight room	260 91
Britton, Mich.—New watch tower and gates	1,015 54
Franklin, Ohio—New transfer house and platform (unfinished)	586 05
Montpelier, Ohio—New deep well	1,174 38
Montpelier, Ohio—Water line deep well to tank	252 00
Montpelier, Ohio—Changing old freight house into restaurant, baggage and express rooms	512 74
Montpelier, Ohio—Moving old freight house from Millersberg and converting same into freight house and office building	1,589 58
Montpelier, Ohio.—New freight platform	295 31
Montpelier, Ohio—New transfer platform	127 80
Montpelier, Ohio—New engine terminal	12,945 63
Ashley, Ind.—New cinder pit	1,833 18
North Liberty, Ind.—New water plant	319 29
North Liberty, Ind.—New engine house	1,457 67
North Liberty, Ind.—New turntable	1,847 47
North Liberty, Ind.—New cinder pit	347 18
North Liberty, Ind.—Drainage, account improvements	159 44
Toledo, Ohio—New bridge over Toledo Urban and Interurban R. R. (unfinished)	2,228 85
West Unity, O.—New stock scales	212 20
Ft. Wayne, Ind.—Addition to brick boiler room	256 39
Ft. Wayne, Ind.—New boiler and foundation for shops	505 09
Huntington, Ind.—New water plant	2,670 66
Hartman, Ind.—New water plant	2,806 86
Peru, Ind.—Extension on baggage room for lunch room and express office	977 58
Peru, Ind.—Extension of storeroom platform	301 17
Peru, Ind.—New water tank	2,343 82
Tilton, Ill.—New elevated sand house	817 48
Defiance, O.—New standpipe and water mains	885 09
Ft. Wayne, Ind.—New bridge No. 326½, over Ft. Wayne Van Wert, & Lima Traction line (unfinished)	275 30
Worth, Ill.—Erected unloading platform for Worth Jockey Club	642 65
Worth, Ill.—Erected Ellis freight bumping post at end of track on "Y" at Worth race track	78 26
Brisbane, Ill.—Building block tower at lap siding	9 00
Forrest, Ill.—Building block tower, Forrest yard	9 00
Lotus, Ill.—Built new brick platform	57 25
Manefield, Ill.—Erected crossing gates	249 88
Monticello, Ill.—Erected crossing gates at Main street	440 88

Sulu, Ill.—Built block tower at lap siding	$ 9 00
Bement, Ill.—Extended north end of passenger platform 140 feet along 7th District	204 59
Decatur, Ill.—Addition to passenger station	9,057 03
Decatur, Ill.—Erected scrap iron shed and platform	2,035 94
Decatur, Ill.—Built addition to Y. M. C. A. building	577 00
Decatur, Ill.—Setting two new boilers for car department heater plant	1,022 34
Decatur, Ill.—Built new frame building for motor, for charging electric lighted equipment	709 63
Decatur, Ill.—Built addition to car department boiler house for air compressor	167 25
Fairmount, Ill.—Erected Chicago crossing signal at Main and Park streets	453 08
Windsor, Ill.—Erected new standard No. 3 depot	1,243 56
Knights, Ill.—Built new block tower at lap siding	179 52
Blue Mound, Ill.—Built new No. 2 depot to replace one destroyed by fire	2,257 26
Litchfield, Ill.—Erected 12 inch Poage standpipe to replace the old south standpipe, size 8 inch Poage	790 44
Staunton, Ill.—Erected two 12 inch Poage standpipes	1,126 68
Worden, Ill.—Erected one Chicago crossing signal at Wall and Kell streets	472 34
Edwardsville Junction, Ill.—Erected one Chicago crossing signal at Alton road crossing	289 00
Edwardsville Junction, Ill.—Building new depot and platform (unfinished)	4,355 02
Edwardsville, Ill.—Erected one Chicago crossing signal at St. Louis and Vandalia streets	448 85
Edwardsville, Ill.—Erected 3 inch wrought iron standpipe and put in connections on account of water plant	126 70
East St. Louis, Ill.—Put up Ellis bumping posts at outbound freight house tracks Nos. 9, 10 and 11	194 46
Harristown, Ill.—Bought ground and built new stock pens and chute	675 00
Niantic, Ill.—Built new stock pens and chute	175 00
Springfield, Ill.—Built new paint shop	838 92
Springfield, Ill.—Built extension to M. P. & M. store room	1,080 77
Springfield, Ill.—Built new tin and pipe shop	707 37
Springfield, Ill.—Remodeled passenger station for Division officials	3,140 26
Curran, Ill.—Built new No. 3 depot and platform	1,320 11
Curran, Ill.—Put six ton scale in stock pen	78 12
Berlin, Ill.—Built concrete dam at overflow Berlin pond	281 78
Kinderhook, Ill.—Digging well as test for water supply (unfinished)	174 59
12th District—New snow fences on sections 145, 148 and 149	485 12
St. Louis, Mo.—Engine terminal Vandeventer avenue	56,625 71
St. Louis, Mo.—Electric block signal system, 23d street to Page avenue	9,354 66
St. Louis, Mo.—Vandeventer avenue, new watch house, bridge No. 9	70 02
St. Louis, Mo.—Ewing avenue, new crossing gates	190 45
St. Louis, Mo.—Compton avenue, new crossing gates	184 99

St. Louis, Mo.—Theresa avenue, new crossing gates	$	245 88
St. Louis, Mo.—Spring avenue, new crossing gates		235 00
St. Louis, Mo.—Boyle avenue, new crossing gates		396 34
St. Louis, Mo.—Newstead avenue, new crossing gates		396 34
St. Louis, Mo.—Lindell avenue, new crossing gates		239 00
St. Louis, Mo.—Maple avenue, new crossing gates		395 30
St. Louis, Mo.—Mullanphy street, new crossing gates		346 00
St. Louis, Mo.—Angelica street, new crossing gates		346 00
St. Louis, Mo.—Clark avenue, new crossing gates		346 00
St. Louis, Mo.—St. Louis avenue, new crossing gates		323 34
St. Louis, Mo.—Wright street, new crossing gates		323 34
St. Louis, Mo.—Palm street, new crossing gates		323 34
St. Louis, Mo.—Branch street, new crossing gates		323 33
St. Louis, Mo.—Dock street, new crossing gates		323 33
St. Louis, Mo.—Buchanan street, new crossing gates		323 33
St. Louis, Mo.—Angelrodt street, new crossing gates		323 33
St. Louis, Mo.—Ferry street, new crossing gates		323 33
St. Louis, Mo.—Boyle avenue, car repairers' building and platform		655 50
St. Louis, Mo.—Boyle avenue, air, water and steam pipes		6,595 94
St. Louis, Mo.—Boyle avenue, new tower house		7 68
St. Louis, Mo.—Union avenue, new tower house		21 35
St. Louis, Mo.—Union avenue, new coal and lamp house		50 62
St. Louis, Mo.—Forsyth Jct., new tower house		23 98
St. Louis, Mo.—Forsyth Jct., new coal and lamp house		241 34
St. Louis, Mo.—Page avenue, new tower house		37 96
St. Louis, Mo.—Page avenue, new coal and lamp house		211 60
Moberly, Mo.—New car inspectors' building		305 81
Moberly, Mo.—Storage platform and derrick		430 89
Moulton, Ia.—New office building for trainmaster		581 12
Brunswick, Mo.—Steam heat in office building		256 21
Chillicothe, Mo.—New tank and stand pipe		1,575 68
Gallatin, Mo.—New coal chutes and sand house		5,824 12
Maryville, Mo.—New brick walk under bridge No. 1062		16 50
Luther, Mo.—Extending water service for washing stock cars		698 41
Moberly, Mo.—New brick boiler room at round house		3,537 48
Moberly, Mo.—New brick pump house		1,261 19
Moberly, Mo.—New coal chutes		14,835 77
Moberly, Mo.—Addition to paint shop, Car Dept		850 04
Moberly, Mo.—Addition to tin shop, Car Dept		217 11
Moberly, Mo.—Addition to iron shed, Store Dept		533 55
Moberly, Mo.—New transfer table and pit (unfinished)		2,944 03
Carrollton, Mo.—New brick platform		852 28
Kansas City, Mo.—New scales in freight house		187 46
Kansas City, Mo.—New brick floor in freight house		493 39
Chillicothe, Mo.—New brick platform		974 22
Shenandoah, Ia.—New coal chutes		2,414 85
Bement, Ill.—Crossing-bells, erected at Sangamon, Morgan and Champaign Streets		224 67
Hannibal, Mo.—Crossing alarm bells at 3d and Lindell Av.		335 27
Norborne, Mo.—Crossing alarm bells installed		315 64
Brooklyn, Ill.—Advance signal erected		158 73
Total		$200,522 39

SUMMARY

OF

Extraordinary Repairs and Renewals, Improvements and Additions.

Repairs and Renewals.

Bridges, Wooden	$ 64,275 33
Wharves, Docks and Landings	9,174 86
Passenger and Freight Stations, Shops and other Buildings, etc	83,584 74
Water and Fuel Stations	18,200 61
Renewals of Tracks 23d St. to Page Ave., St. Louis, Mo...	3,498 72
Total	$178,734 26

Improvements.

Steel Bridges (New) to Replace Wooden Bridges	$ 43,606 61
Trestles Shortened, Replaced with Iron Pipe, Filled, Etc.	133,719 49
Steel Bridges, Repaired and Strengthened	22,100 91
New Steel Bridges to Replace Old Steel Bridges	20,049 88
Improving Line and Reducing Grades	28,107 16
Protection against Illinois, Missouri and Des Moines Rivers	8,802 90
Total	$256,386 95

Additions.

Second Track	$332,130 50
Third, Yard, Side and Spur Tracks to Various Industries.	320,049 20
Interlocking Plants, Wabash Proportion	20,366 35
Passenger and Freight Stations, Shops and other Buildings, etc	200,522 39
Total	$873,068 44

Totals	Repairs and Renewals	$178,734 26
	Improvements	256,386 95
	Additions	873,068 44
Grand Total		$1,308,189 65

In addition to the above, the following amounts were expended on the Buffalo Division for extraordinary renewals and improvements, the Wabash paying its proportion of this sum on a wheelage basis:

Depots, Buildings, etc	$ 12,418 45
Docks and Slip Tables—Repairs and Renewals	3,166 10
Additions to Shops, Round-houses, etc	13,031 94
Wood, Water and Coal Stations—New and Rebuilt	19,143 99
Steel Bridges Repaired and Renewed	43,141 27
Miscellaneous	4,623 93
Total	$ 95,525 68

Included in the above item of steel bridges repaired and renewed are the following:

Thamesville,	Thames River	$16,908 99
	Decews Creek	19,396 68
Vosburg,	McGregor's Creek	1,793 01
Puce,	Pike Creek	5,042 59
Total		$43,141 27

OMAHA DIVISION.

Miscellaneous Work—		
No. cross ties put in track	46,971	
No. miles track ballasted with stone	23.09	
No. miles fence built	24.85	

SUMMARY.

Miscellaneous Work	$46,755 78

RECAPITULATION.

Extraordinary Repairs and Renewals, Improvements and Additions	$1,308,189 65
Buffalo Division, Extraordinary Renewals and Improvements	95,525 68
Reconstruction Omaha Division	46,755 78
Grand Total	$1,450,471 11

TRANSPORTATION DEPARTMENT.

FREIGHT.	1902.	1903.	1904.	1905.
Total Loaded Cars moved for year	1,738,098	1,880,621	1,881,101	1,917,557
Total Empty Cars moved for year	776,474	793,889	803,553	886,475
Total Loaded and Empty Cars moved for year	2,514,572	2,624,510	2,684,654	2,804,032
Average Loaded Cars moved per day	4,725	5,015	5,153	5,254
Average Empty Cars moved per day	2,127	2,175	2,202	2,428
Average Loaded and Empty Cars moved per day	6,889	7,190	7,355	7,682
Total Freight Train Mileage for year	6,841,121	7,284,158	7,598,295	7,831,004
Average Freight Train Mileage per day	18,743	19,957	20,817	21,455
Total number Freight Trains for year	80,303	86,134	91,251	94,720
Average number Freight Trains per day	220	236	250	260
Average number Miles run per train, per day	85.2	84.6	83.3	82.5
Average number Loaded Cars moved per train mile	19.0	18.6	18.4	18.4
Average number Empty Cars moved per train mile	7.4	7.2	6.9	7.7
Average number Loaded and Empty Cars moved per train mile	26.4	25.8	25.4	26.0

FREIGHT—Cont.	1902.	1903.	1904.	1905.
Average number Cars handled per train mile, reduced to loaded car basis	23.5	22.9	22.6	22.9
Mileage made by all Loaded Cars for year	129,714,750	135,424,005	140,074,003	144,198,504
Mileage made by all Empty Cars for year	50,721,670	52,573,824	52,644,523	59,121,794
Grand Total of Car Mileage for year	180,436,420	187,997,829	192,718,526	203,320,298
Foreign Loaded Car Mileage for year	67,218,623	75,534,916	88,221,505	86,246,968
Foreign Empty Car Mileage for year	23,375,135	26,439,131	27,065,112	29,513,045
Total Foreign Car Mileage for year	90,593,758	101,974,047	115,286,617	115,760,013
Wabash Loaded Car Mileage for year	62,496,122	59,889,089	51,852,498	57,951,536
Wabash Empty Car Mileage for year	27,346,535	26,134,693	25,579,411	29,608,749
Total Wabash Car Mileage for year	89,842,657	86,023,782	77,431,909	87,560,285
Number of Wabash Cars in Service, exclusive of work trains	16,460	16,089	16,039	17,625
Average number of Wabash Cars on other roads per day,	7,734	7,834	7,624	7,455
Miles run per Car per day, Wabash Cars on Wabash R. R	28.2	28.5	25.2	23.6
Average number of Foreign Cars on Wabash R. R. per day,	5,943	8,562	9,179	8,836
Average Miles run by Foreign Cars on Wabash R. R. per Car per day,	41.8	32.6	34.4	35.9

PASSENGER.	1902.	1903.	1904.	1905.
Total Passenger Train Mileage for year.....	7,691,050	7,715,162	8,100,348	9,607,066
Total number Passenger Trains run for year.....	81,990	82,549	86,625	96,379
Average number Passenger Trains run per day.....	225	226	237	264
Average number Miles per Train per day.....	93.8	93.5	93.5	99.7
Average number Miles all Trains per day	21,105	21,138	22,193	26,321
Total Mileage Wabash, Baggage, Mail and Express Cars for year.....	8,425,552	8,691,319	8,746,068	10,036,499
Total Mileage Wabash, Coaches and Chair Cars for year.....	16,807,827	16,670,309	17,527,348	21,245,835
Total Mileage Sleeping Cars for year	9,188,827	9,234,387	9,883,877	12,387,349
Total Mileage Wabash Dining Cars for year	1,591,510	1,443,536	1,423,277	1,757,772
Total Mileage of all Cars for year.....	37,451,010	37,791,983	39,430,771	48,979,207
Average number of Cars of all classes handled for year	400,040	404,055	421,210	491,290
Average number of Cars of all classes handled per day	1,096	1,107	1,154	1,346
Average number of Cars per train.....	4.87	4.90	4.87	5.10

MOTIVE POWER DEPARTMENT.

The total amount expended for repairs of engines was $1,626,093.38, equal to $3,079.72 per engine for 528 engines, the average number on hand during the year.

The following statement will show the large amount of repair work done on engines, and the general character of the repairs:

MOTIVE POWER AND MACHINERY.

LOCOMOTIVE EQUIPMENT.

	1903-1904.	1904-1905.	Increase.	Decrease.
Locomotives on hand July 1st	488	528	40	
Bought and built during year	50	67	17	
Sold and scrapped during year	10	14	4	
On hand June 30th.	528	581	53	
REPAIRS.				
Locomotives receiving general repairs	340	370	30	
Locomotives receiving heavy repairs	299	324	25	
Locomotives receiving light repairs	745	819	74	
New Driving and Truck Axles	1048	1011		37
Boilers, general repairs	103	132	29	
Sets Air Brakes	1	2	1	
New Cylinders	55	45		10
New Cabs	44	65	21	
Fire-boxes, new	12	21	9	
Fire-boxes repaired	546	509		37
Sets Flues, new	47	32		15
Sets Flues, reset	381	420	39	
New Engine Frames	3	10	7	
New Main and Side Rods	78	132	54	
Tires, new	424	953	529	
New Engine and Tender Trucks	60	41		19
New Tanks	6			6
New Tank Frames	50	41		9
New Driving Wheel Centers	80	151	71	
New Engine, Truck and Tender Wheels	4,588	4,528		60

NOTE.—The 581 engines in service June 30, 1905, had a Tractive Power of 11,759,700 lbs. June 30, 1896, there were 412 engines with Tractive Power of 6,334,915 lbs., showing an increase of 38% in number and an increase of 86% in power of engines.

DISTRIBUTION OF ENGINE MILEAGE.

	1903-1904.	1904-1905.	Increase.	Decrease.
Freight Train Mileage	7,598,295	7,831,004	232,709	.....
Frt. Double Headers, Pushers and Lights	513,216	525,453	12,237	.....
Passenger Train Mileage	8,100,348	9,607,066	1,506,718	.....
Pass. Lights and Double Headers.	162,677	277,664	114,987	.....
Switching	3,904,205	4,098,945	194,740	.....
Miscellaneous, Work Trains, Pay Trains, etc...	988,223	606,105	.....	382,118
Total	21,266,964	22,946,237	1,679,273	.....

EXPENSE OF OPERATING LOCOMOTIVES.

	1903-1904.	1904-1905.	Increase.
Repairs { Labor	$ 329,903 42	$ 956,187 52	$126,284 10
Repairs { Material	678,710 72	669,905 86	8,804 86*
Stores	72,812 49	75,063 77	2,251 28
Fuel (Coal and Wood)	1,871,850 23	1,975,226 52	103,376 29
Engineers and Firemen	1,360,584 03	1,435,741 15	75,157 12
Wiping and Dispatching	218,526 40	225,782 25	7,255 85
Total	$5,032,387 29	$5,337,907 07	$305,519 78

COST PER 100 MILES RUN.

	1903-1904.	1904-1905.	Decrease.
For Repairs	$ 7 06	$ 7 06	.....
Stores	0 34	0 33	$ 0 01
Fuel	8 76	8 58	0 18
Engineers and Firemen	6 36	6 24	0 12
Wiping and Dispatching	1 02	0 98	0 04
Total	$23 54	$23 19	$ 0 35

*Decrease.

	1903–1904.	1904–1905.
Total engine mileage	21,378,516	23,013,959
Average mileage per engine in service for year	49,696	46,399
Average monthly mileage per engine in service	4,141	3,866
Tons of coal consumed	1,263,804	1,368,316
Average cost per ton of coal on tender (cost of handling included)	$1 48	$1 44
Average miles run to one ton of coal	16.9	16.8

NOTE.—Cost of stores and fuel includes work train expense.

Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

FUEL DEPARTMENT.

	1903-1904.		1904-1905.		Increase.		Decrease.	
	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.
Coal for Passenger Engines	382,188	$ 516,085 87	448,904	$ 612,334 05	86,771	$ 96,248 18		
Coal for Freight Engines	649,259	907,344 41	684,787	984,105 76	35,528	26,761 35		
Coal for Switch and Work Engines	252,412	342,785 77	234,625	320,056 50			17,787	$22,729 27
Wood for Engines		18,758 99		19,936 98		1,177 94		
Total Coal and Wood for Engines	1,263,804	$1,784,975 04	1,368,316	$1,886,433 24	104,512	$101,458 20		
Average cost per ton		$1.41		$1.38				03
Average cost per ton for handling		.07		.06				01
Average cost per ton on Tender		1.48		1.44				04
Coal for Stationary Engines at Shops	52,398	$52,114 68	61,997	$ 54,399 35	9,604	$ 2,284 72		
Coal for Pumping Engines	13,275	7,078 54	15,353	7,444 49	2,078	365 95		
Coal for Stations, etc	9,995	13,431 55	12,894	15,643 27	2,899	2,211 72		
Coal for Ballast Burning	13,661	11,135 59					13,661	$11,135 59
Total Bituminous Coals	1,353,128	$1,868,735 35	1,458,580	$1,968,920 35	105,432	$ 95,185 00		
Average cost per ton, all Bituminous Coals		$1.37		$1.35				02
Anthracite Coal	382	$ 2,045 73	372	$1,750 52			10	$ 295 21
Furnace Coal	2,396	4,658 05	2,792	5,160 19	396	$ 502 14		
Smithing Coal	1,979	7,402 86	2,107	5,790 45	128			1,612 41
Charcoal	28,363 bu.	2,379 37	27,583 bu.	2,174 47	4,220 bu.			204 90
Coke	1,077	6,156 20	1,272	5,167 32	195 tons			988 88
Fuel Oil	200,138 gal.	7,885 55	215,538 gal.	5,925 76	6,400 gal.			1,959 79

Quality of Bituminous Coals	OHIO COAL Lump.	OHIO COAL Mine Run.	ILLINOIS COAL Lump.	ILLINOIS COAL Mine Run.	ILLINOIS COAL Screenings.	ILLINOIS COAL Slack.	MISSOURI COAL Lump.	MISSOURI COAL Mine Run.	MISSOURI COAL Screenings.
Tons vouchered, 1903-1904	3,655	181,532	168,693	692,684	35,298	9,783	253,896	4,272	23,446
Tons vouchered, 1904-1905	2,626	329,730	183,667	736,318	30,327	4,880	165,852	342	4,946

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CAR DEPARTMENT.

The increase in expenses of this department for the year ending June 30th, 1905, can to a great extent be attributed to the fact that during the year 3,045 cars of different classes were sent to the shops of the American Car & Foundry Company for repair or to be rebuilt, and the entire cost of such repairs, $468,121.57, is included in operating expenses.

The cost of application of air brakes to freight cars, vestibules and gas to passenger cars and payments on account of equipment, passenger and freight, aggregating $705,074.57, was also charged to operating expenses.

Stationary vestibules applied to one baggage car at a cost of $271.76. Total cars now vestibuled—318.

We equipped three cars with Pintsch gas, at a cost of $791.31, making a total of 257 cars so equipped.

Air brakes were applied to 112 freight cars, at a cost of $4,230.85, making a total of 16,213 cars, or about 89 per cent of all of our freight cars, so equipped.

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CAR EQUIPMENT.

	On hand July 1, 1904.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1905.	On hand July 1, 1889.
PASSENGER.					
Official	5	.....	.....	5	4
Pay	2	.....	.....	2	2
Air-Brake Instruction	1	.....	.....	1	.....
Inspection	1	.....	.....	1	.....
Dining	9	2	.....	11	5
Parlor	6	3	1	8	.....
Café	6	.....	.....	6	.....
Postal	33	1	.....	34	19
Baggage	70	2	2	70	64
Baggage and Mail	13	.....	.....	13	15
Baggage, Passenger and Mail	3	.....	.....	3	6
Passenger and Mail	5	.....	.....	5	.....
Combination	55	5	3	57	22
Coaches	165	16	6	175	108
Chair	58	3	2	59	35
Pacific Express	5	.....	.....	5	5
Total Passenger	437	32	14	455	285
FREIGHT.					
Box	9,287	78	305	9,060	8,075
Stock	412	.....	19	393	1,471
Coal and Flat	7,165	2	113	7,054	3,439
Furniture and Rack	300	151	6	445	33
Fruit	146	.....	.....	146	50
Refrigerator	100	.....	.....	100	100
Cinder and Stone	202	39	14	227	129
Ballast and Convertible	132	.....	5	127	.....
Company Service	296	44	13	327	36
Derricks	12	1	.....	13	12
Pile Drivers and P. D. Derricks	6	.....	.....	6	7
Cable	8	.....	.....	8	1
Ice	8	.....	.....	8	4
Caboose Box	6	1	.....	7	.....
Caboose Standard	252	23	11	264	212
Total Freight	18,332	339	486	18,185	13,569
Total Passenger	437	32	14	455	285
Total Car Equipment	18,769	371	500	18,640	13,854
Total Frt. Car Capacity, in Tons	554,160	.....	.....	552,210	235,074

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CARS REPAIRED.

	Passenger.	Freight.	Total.
Cars Receiving Light Repairs	3,526	182,183	185,709
Cars Receiving Heavy Repairs	122	2,088	2,210
Cars Receiving General Repairs	84	634	718
Cars Rebuilt	13	402	415
Total	3,745	185,307	189,052
New Wheels Applied, Cast	1,645	17,454	19,099
New Wheels Applied, Steel	896		896
Total New Wheels Applied	2,541	17,454	19,995

CAR AND ENGINE TRUSTS.

June 30th, 1905 the car and engine trust notes outstanding were as follows:

American Car and Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 31 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	196,210 16
American Car and Foundry Company, 500 Coal Cars, Contract of March 9th 1903, 38 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	241,899 64
American Car and Foundry Company, 1,000 Coal Cars Contract of March 9th, 1903, 41 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	520,622 92
American Car and Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3 , 1903, 22 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	55,572 00
American Car and Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 26 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	104,385 58
American Locomotive Company, 12 Passenger Locomotives, 7 notes outstanding (last one due November 10th, 1908), various amounts	162,439 20
Baldwin Locomotive Company, 38 Freight and Switch Locomotives, 14 notes outstanding (last one due November 17th, 1908), various amounts	447,419 02
American Car and Foundry Company, 150 Furniture Cars, Contract of January 28th, 1904, 46 notes outstanding (last one due April 19th, 1909), for 3,383.01 each	155,618 46
American Car and Foundry Company, 11 Passenger Cars, Contract of August 1st, 1904, 38 notes outstanding (last one due August 13th, 1908), for $2,543.59 each	$ 96,656 42
Total	$1,980,823 40

NOTE.—The above does not include the following bonds:

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Gold Equipment Sinking Fund Bonds of 1901, amounting to $3,000,000.00, issued in March, 1901, for payment of Locomotives, Cars, and other rolling stock, bonds outstanding June 30th, 1905	$2,600,000 00	
Equipment Gold Bonds, Series A, amounting to $840,000.00, issued in May, 1904, for the payment of 67 New Locomotives under Equipment Agreement with Blair & Co., Series A, bonds outstanding June 30th, 1904		756,000.00
Equipment Gold Bonds, Series B, amounting to $870,000.00 issued in November, 1904, for the payment of 999 Coal Cars under Equipment Agreement, Series B, with the Colonial Trust Co. of Pittsburg, bonds outstanding June 30th, 1905		826,000 00
Total Equipment Bonds outstanding June 30th, 1905.	$4,182,000 00	

In addition to the above, we have an operative contract with the American Car and Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1905, the sum of $86,337.12.

TELEGRAPH DEPARTMENT.

	1903-1904.	1904-1905
Total Number Miles of Road with Telegraph Lines	2,153	2,153
Total Number Miles of Wire assigned to this Company	7,178	7,192
Total Number Miles of Wire assigned to Telegraph Company	13,585	13,624
Total Number Miles Wire used jointly	747	747
Total Miles of Wire	21,510	21,563

By order of the Board of Directors.

Respectfully submitted,

J. C. OTTESON,

Secretary.

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From.	To.	Owned.	Leased.	Operated Under Joint Trackage.	Total, Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks. Miles.
Detroit	Delray	.....	.....	4.6	4.6	.....	.....	4.6	10.4	5.0	6.3	30.9
Delray	Montpelier	92.4	.....	.....	92.4	2.5	.....	.....	47.2	.....	.....	142.1
Montpelier	Clarke Junction	149.5	.....	.....	149.5	.....	.....	.....	58.2	.....	.....	207.7
Clarke Junction	C. & W. I. Junction	.....	.....	17.6	17.6	.....	.....	17.6	.....	.....	.....	35.2
Toledo	Milan	.....	.....	30.9	30.9	.....	.....	1.8	.....	.....	19.3	52.0
Toledo	Tilton (Div. Point)	252.4	.....	.....	252.4	8.8	.....	.....	144.7	.....	.....	405.9
Maumee	Montpelier	49.6	.....	.....	49.6	.....	.....	.....	10.7	.....	.....	60.3
Montpelier	Butler	17.5	.....	.....	17.5	.....	.....	.....	1.4	.....	.....	18.9
Butler	New Haven	25.7	.....	.....	25.7	.....	.....	.....	8.3	.....	.....	34.0
Attica	Covington	14.8	.....	.....	14.8	.....	.....	.....	2.3	.....	.....	17.1
Chili	Peru Junction	.....	.....	.....	.....	.....	.....	.....	7.7	.....	.....	7.7
Tilton (Div. Point)	Decatur Depot	71.3	.....	.....	71.3	15.2	.....	.....	40.2	.....	.....	126.6
Decatur	E. St. Louis Frt. House	110.0	.....	.....	110.0	30.6	.....	.....	69.6	.....	.....	210.2
Bridge Junction	St. Louis Union Station	.....	.....	3.8	3.8	.....	.....	3.8	.....	.....	.....	7.6
Sidney	Champaign	11.7	.....	.....	11.7	.....	.....	.....	2.2	.....	.....	13.9
Edwardsville	Edwardsville Junction	2.2	.....	.....	2.2	.....	.....	.....	1.2	.....	1.0	4.4
Chicago	C. & W. Ind. Junction	.....	.....	8.0	8.0	.....	.....	8.0	15.2	.....	.....	31.2
C. & W. Ind. Junction	Effingham	205.0	.....	.....	205.0	10.4	.....	.....	75.0	.....	.....	290.4
Shumway	Altamont	9.4	.....	0.9	10.3	.....	.....	.....	0.3	.....	.....	10.6
Forrest	Fairbury Junction	.....	.....	6.2	6.2	.....	.....	.....	.....	.....	.....	6.2
Fairbury	Streator	30.9	.....	.....	30.9	.....	.....	.....	2.7	2.0	.....	36.6
Decatur Depot	Aladdin	136.9	.....	.....	136.9	.....	.....	.....	44.5	.....	.....	181.4
Aladdin	North St. Hannibal	.....	2.9	.....	2.9	.....	.....	.....	2.8	.....	.....	5.7
North St. Hannibal	Union Depot, Hannibal	.....	.....	0.4	0.4	.....	.....	.....	0.5	.....	.....	0.9
Bluffs	Camp Point, End Track	39.8	.....	.....	39.8	.....	.....	.....	4.3	.....	.....	44.1
Camp Point	Wabash Junction, Quincy	.....	.....	22.7	22.7	.....	.....	.....	0.2	.....	.....	22.9
At Quincy	Quincy	0.9	.....	.....	0.9	.....	.....	.....	2.6	.....	.....	3.5
East Hannibal	Quincy	.....	.....	16.2	16.2	.....	.....	.....	.....	.....	0.9	17.1
Clayton	Elvaston	34.5	.....	.....	34.5	.....	.....	.....	1.7	.....	.....	36.2
Elvaston	Keokuk	.....	.....	7.8	7.8	.....	.....	.....	1.0	.....	.....	8.8
Maysville	Pittsfield	.....	6.2	.....	6.2	.....	.....	.....	1.1	.....	.....	7.3
Total		1254.4	9.1	119.1	1382.6	67.5	.....	35.8	557.0	7.0	27.5	2077.4

NOTE—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles "owned" between Edwardsville Junction and Edwardsville Crossing, which is leased by the Illinois Terminal Railroad Company.

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PHOTOGRAPHIC VERTICAL IN BOOK

LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks. Miles.
Tayon Av., 18th St.	23d St., St. Louis	0.4			0.4							0.4
Union Station, St. Louis	23d St., St. Louis			0.7	0.7							0.7
23d St., St. Louis	Moberly	148.7			148.7	6.2			87.8			242.7
Carr St., St. Louis	Ferguson	10.7			10.7	5.1			26.4			42.2
Franklin Av., St. Louis	N. Market St., St. Louis								1.8			1.8
Carr St., St. Louis	Olive St., St. Louis			0.5	0.5						0.4	0.9
Moberly	Ottumwa	131.3			131.3				16.0			147.3
Moulton Junction	Albia	28.3			28.3				2.6			30.9
Albia	Albia Connection			0.2	0.2						0.6	0.8
Albia	Chesterfield	65.8			65.8				9.4			75.2
Chesterfield	Des Moines			2.4	2.4							2.4
Centralia	Columbia	21.6			21.6				1.2			22.8
Excello	Ardmore								11.0			11.0
Maryville Junction	Empire Coal Co.								13.0			13.0
Moberly	Hannibal			69.7	69.7						8.5	78.2
Moberly	Harlem	125.9			125.9				19.7			145.6
Harlem	Kansas City			1.5	1.5				3.8			5.3
Wabash Yards	Bridge J'ct'n, Kansas City							0.4				0.4
Brunswick Depot	Chillicothe	38.3			38.3				3.4			41.7
Chillicothe	Pattonsburg		41.4		41.4					3.7		45.1
Pattonsburg	Council Bluffs	143.7			143.7				22.6			166.3
Wabash Connection	Council Bluffs, U. D.			0.3	0.3							0.3
Council Bluffs	Omaha			2.8	2.8							2.8
Salisbury	Glasgow	15.4			15.4				0.9			16.3
Excelsior Springs Junction	Milwaukee Junction	9.7			9.7				0.7			10.4
Total		739.8	41.4	78.1	859.3	11.3		0.4	220.3	3.7	9.5	1104.5

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LINES EAST OF THE DETROIT RIVER.

DESCRIPTION OF LINES.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks, Miles.
Detroit	Black Rock	.....	.....	227.1	227.1	.....	.....	81.1	.....	.....	83.4	391.6
Welland Junction	Suspension Bridge	.....	.....	17.8	17.8	.....	.....	8.3	.....	.....	13.9	40.0
Suspension Bridge	Buffalo	.....	.....	25.6	25.6	.....	.....	5.0	.....	.....	9.1	39.7
Black Rock	International Junction	.....	.....	4.8	4.8	.....	.....	4.5	.....	.....	0.0	9.3
Total		.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	106.4	480.6

Note.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for the use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

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PAGE BOUND VERTICAL IN BOOK

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RECAPITULATION.

MILES OF ROAD OPERATED.

DESCRIPTION OF LINES.	1st Main Track.				2d Main Track.			Side Tracks.			Totals.
	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks, Miles.
Lines East of the Mississippi River	1254.4	9.1	119.1	1382.6	67.5	.....	35.8	557.0	7.0	27.5	2077.4
Lines West of the Mississippi River	739.8	41.4	78.1	859.3	11.3	.....	0.4	220.3	3.7	9 5	1104.5
Lines East of the Detroit River	.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	106.4	480.6
Total	1994.2	50.5	472.5	2517.2	78.8	.....	135.1	777.3	10.7	143.4	3662.5

The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.2
In Indiana	357.4
In Illinois	745.2
In Missouri	654.0
In Iowa	208.9
In Nebraska	0.6
Total	2517.2

AUDITOR'S STATEMENTS.

A. Results of Operation.

B. Comparative Statement of Earnings and Expenses.

C. Income Account and Profit and Loss.

D. Financial Exhibit.

E. Comparative Statement of Operating Expenses.

F. Additions to Property.

G. Train and Mileage Statistics.

H. Mileage Statistics for Twenty-four Years.

I. Statement of Funded Debt and Interest Charges.

A

THE WABASH RAILROAD COMPANY.

RESULTS OF OPERATION FOR THE YEAR ENDING JUNE 30, 1905.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Gross Earnings	$22,023,628 63	$24,696 600 10
Operating Expenses	17,683,508 85	20,503,444 84
Net Earnings	$5,340,117 78	$4,193,155 55
Taxes	750,158 71	828,623 71
	$4,589,959 07	$3,366,531 84
Miscellaneous Receipts, Interest, Dividends, etc.	489,706 07	738,340 17
	$5,079,665 14	$4,104,872 01
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	817,205 62	759,872 56
Net Earnings from Operation	$4,262,459 52	$3,344,999 45
Additions to Property and other Charges, as per Analysis (2) below	1,050,745 64	1,335,799 67
Net Earnings applicable to Interest	$3,211,713 88	$2,009 199 78
Interest on Bonds	3,092,422 72	3,468,572 17
Surplus	$119,291 16	
Deficit		$1,459,372 39
Dividends on Preferred Debenture Bonds	105 000 00	
Net Surplus	$14,291 16	
Net Deficit		$1,459,372 39

1. ANALYSIS OF JOINT TRACK RENTALS AND MISCELLANEOUS EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Debit Joint Track Rentals	$964,148 33	$883 623 99
Credit " " "	151,940 71	138,921 51
	$812,707 62	$746,702 48
Miscellaneous Expenses	4,498 00	13,170 08
	$817,205 62	$759,872 56

2. ANALYSIS OF ADDITIONS TO PROPERTY AND OTHER CHARGES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Additions to Property as per Table "7"	$591,448 10	$656,862 98
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	33,069 68	63,037 15
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00
Premium on Gold Equipment Sinking Fund Bonds	2,588 75	4,893 75
Payments for Equipment	323,661 11	511,005 82
	$1,050,745 64	$1,335,799 67

B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1903.
July	$ 2,000,158 67	$ 2,082,154 11
August	2,121,426 47	2,480,786 25
September	2,239,683 87	2,609,682 10
October	2,206,296 69	2,543,186 61
November	1,818,076 77	2,057,814 48
December	1,881,094 15	2,082,401 63
January	1,771,413 70	1,852,051 81
February	1,522 943 23	1,575,771 80
March	1,750,620 45	1,872,461 85
April	1,794,760 97	1,795,289 49
May	1,889,106 88	1,860,201 39
June	2,028,040 28	1,984,858 98
Total Earnings	$23,023,626 63	$24,896,800 10
Freight	$14,064,656 81	$13,650,185 54
Passenger	7,045,525 29	8,917,828 77
Mail	830,928 23	837,068 28
Express	533.703 85	691,736 42
Miscellaneous	548,812 45	699,781 09
Total Earnings	$23,023,626 63	$24,896,800 10
Per cent of Freight Earnings to Total	61.09	55.27
" " Passenger " "	30.60	35.11
" " Mail " "	3.61	3.39
" " Express " "	2.32	2.80
" " Miscellaneous " "	2.38	2.43
Operating Expenses (not including Taxes)	$17,683,508 85	$20,503,444 55
Taxes	$750,158 71	$838,623 71
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	83.02
Net Earnings (Taxes not deducted)	$5,340,117 78	$4,198,155 55
Per cent of Net to Gross Earnings	23.19	16.98
Average number of miles operated	2,516.7	2,517.2
Average Earnings per mile	$9,148 34	$9,811 14
Average Expenses per mile	7,026 47	8,145 34
Net Earnings per mile	2,121 87	1,665 80

THE WABASH RAILROAD COMPANY.

Income Account—Year Ending June 30, 1905.

To Operating Expenses:—			By Earnings:—		
Maintenance of Way and Structures	$4,007,505 59		Freight Earnings	$13,650,185 54	
Maintenance of Equipment	4,575,148 43		Passenger "	8,917,528 77	
Conducting Transportation	11,255,672 80		Mail "	337,088 28	
General Expenses	665,118 14	$20,503,444 55	Express "	691,736 42	
Net Earnings carried down		4,193,155 55	Miscellaneous Earnings	599,761 09	$24,696,600 10
		$24,696,600 10			$24,696,600 10
To Interest on Bonds		$3,442,112 17	By Net Earnings brought down		$4,193,155 55
Rentals of Leased Lines		26,460 00	Sundry Amounts received for Rent of Tracks, etc		136,921 51
Rentals of Tracks, Bridges, etc.		383,623 99	Miscellaneous Receipts — Interest, Dividends, etc		788,340 17
Taxes		826,623 71	Balance carried to Profit and Loss		1,459,372 39
Additions to Property		656,852 95			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		100,000 00			
Premium on Gold Equipment Sinking Fund Bonds of 1901		4,898 75			
Payments for Equipment		511,005 82			
Sundry Accounts		76,207 23			
		$6,527,789 62			$6,527,789 62

Profit and Loss Account—Year Ending June 30, 1905.

To Expenses of Compton Case	$ 2,845 48	By Balance to credit Profit and Loss Account, June 30, 1904, brought forward	$1,094,807 54
Discount on sale of $7,000,000.00:—		Chicago & Western Indiana R. R. Sinking Fund Payments, July 1, 1904, to June 30, 1905	72,267 02
Wabash R. R. Temporary 4½% Gold Notes	248,500 00	Capital Stock, Des Moines Union Ry., Co	1 00
Subscription to Louisiana Purchase Exposition	65,000 00	Capital Stock, Des Moines & St. Louis R. R. Co	1 00
State of Michigan, Fee for increase of Capital Stock	25,000 00	For amounts expended for New Terminals in Quincy, and for New Yards and Improvements at Landers, and transferred to debit of Profit and Loss Account.	
State of Ohio, Fee for increase of Capital Stock	50,000 00	These expenditures are now credited to Profit and Loss and charged to following accounts:	
State of Indiana, Fee for increase of Capital Stock	50,000 00	Cost of Terminals in Quincy	271,989 11
State of Illinois, Fee for increase of Capital Stock	50,001 00	Cost of Landers Yard and Improvements	21,733 43
State of Missouri, Fee for increase of Capital Stock	25,000 00	Balance to debit Profit and Loss June 30, 1905	515,419 77
Balance brought down from Income Account, June 30, 1905	1,459,372 39		
	$1,975,718 87		$1,975,718 87

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D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1905.

(Per Condensed Balance Sheet.)

ASSETS.

	1904.	1905.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,235,419 36	$145,910,347 70	$674,928 34	
Supplies and Materials on Hand	1,641,051 84	1,419,258 30		221,793 54
Cash on Hand	1,182,777 23	1,554,539 73	371,762 50	
Investments in Stocks and Bonds	17,661,089 14	17,662,358 16	1,269 02	
Sundry Accounts Collectible—				
Due from Agents	343,228 54	375,731 67	32,503 13	
From U. S., Carrying Mails	209,096 67	209,513 80	417 13	
Pacific Express Co	105,215 00	63,968 65		41,251 35
Sundry Railroads and Individuals	1,546,386 94	700,180 13		846,206 81
Bills Receivable	1,875 00	1,975 00	100 00	
Advances Fast Freight Lines Account Working Fund	37,973 10	36,940 05		1,033 05
Advances on Account Real Estate in St. Louis	634,088 96	864,318 52	230,229 56	
Loans Receivable (2)		5,225,000 00	5,225 000 00	
Miscellaneous (3)	3,494,001 12	3,950,352 07	456,350 95	
Balance to Debit Profit and Loss		515,419 77	515,419.77	
	$172,192,302 90	$178,489,898 55	$6,297,595 65	

LIABILITIES.

	1904.	1905.	Increase.	Decrease.
Common Stock	$38,000,000 00	$35,000,000 00		
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (4)	100,513,000 00	108,887,000 00	8,374,000 00	
Interest Due	270,171 59	236,735 75		33,435 84
Interest Accrued, not Due	893,361 66	799,349 58	$105,987 92	
Sundry Accounts Payable—				
Vouchers and Pay Rolls	3,734,692 89	2,956,947 35		777,745 54
Sundry Railroads and Individuals	356,056 28	481,157 22	125,101 83	
Taxes Accrued, not due	388,877 00	441,134 11	55,257 11	
Hospital Account	5,986 20	5,538 20		448 00
Bills Payable—				
Notes Payable	414,000 00	250,000 00		164,000 00
Equipment Notes of Long Date	2,311,036 40	1,980,823 40		330,213 56
Proceeds sale Debenture Bonds, Series "B"	389,227 50	389,227 50		
Miscellaneous	41,576 18	78,975 43	37,399 25	
Balance to credit, Profit and Loss	1,094,307 54			1,094,307 54
	$172,192,302 90	$178,489,898 55	$8,297,595 65	

(1) Increase is due to cost of new Terminals in St. Louis and Quincy, $501,928.39 also issue of Omaha Division Bonds, $173,000.00; less Gold Equipment Sinking Fund Bonds retired, $100.000.00.

(2) This represents amounts advanced to the Toledo Central Station Ry. Company, $175,000.00, and The Wabash-Pittsburg Terminal Ry., $5,050,000.00.

(3) Increase is due to amounts carried in suspense on account of purchase of new equipment.

(4) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $559,000.00; Wabash R. R. Equipment Gold Bonds Series B, $370,000.00; Wabash R. R. temporary 4½% Gold Notes, $7,000,000.00; Omaha Division Bonds, $173,000.00; less Gold Equipment Sinking Fund Bonds, retired, $160,000.00. Equipment Gold Bonds, Series A, retired, $84,000.00; Equipment Gold Bonds Series, B, retired, $44,000.00.

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THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—YEAR ENDING JUNE 30, 1905.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Repairs of Roadway	$1,960,007 26	$1,781,858 90
Renewals of Rails	188,963 21	424,583 16
do of Ties	421 804 69	634,574 56
Repairs and Renewals of Bridges and Culverts	522,932 43	480,489 47
do do Fences, Road C., etc	114,242 16	117,273 71
do do Buildings and Fixtures	421,079 68	534,548 83
do do Docks and Wharves	7,364 42	12,285 72
do do Telegraph	51,252 82	26,317 10
Stationery and Printing	3,104 67	4,884 14
Other Expenses	774 68	896 60
Total	$3,851,648 00	$4,007,505 59

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 98,726 73	$ 100,829 20
Repairs and Renewals of Locomotives, Passenger	542,272 63	555,780 76
do do Locomotives, Freight	951,189 46	1,043,642 62
do do Passenger Cars	497,263 06	529,532 86
do do Freight Cars	1,024,445 09	1,851,850 70
do do Work Cars	40,214 16	71,451 01
do do Marine Equipment	31,671 67	7,125 20
do do Shop Machinery & Tools	225,079 13	228 938 78
Stationery and Printing	8,238 32	9,263 98
Other Expenses	132,859 43	176,835 94
Total	$3,473,001 68	$4,575,148 43

CONDUCTING TRANSPORTATION—PASSENGER.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 105,382 61	$ 121,726 71
Engine and Roundhouse Men	571,448 33	691,450 20
Fuel for Locomotives	560,368 37	652,111 68
Water Supply for Locomotives	31,539 08	29,848 15
Oil, Tallow and Waste, for Locomotives	26,018 83	28,211 37
Other Supplies for Locomotives	14,026 86	11,102 96
Train Service	393,433 15	473,432 17
Train Supplies and Expenses	280,704 74	300,812 73
Switchmen, Flagmen and Watchmen	192,880 06	204,001 08
Telegraph Expenses	111,993 97	138,659 77
Station Service	221,976 99	262,426 17
Station Supplies	81,483 58	85,790 19
Car Mileage—Balance	186,201 55	269,222 84
Hire of Equipment—Balance	4,763 91	8,078 06
Loss and Damage	22,857 37	28,805 32
Injuries to Persons	55,110 24	284,693 89
Clearing Wrecks	9,641 86	8,071 78
Operating Marine Equipment	8,773 49	9 987 35
Advertising	100,724 79	136,777 23
Outside Agencies	159,322 11	167,091 80
Rents for Tracks, Yards and Terminals	167,314 48	186,845 96
do of Buildings and Other Property	78,744 39	62,163 17
Stationery and Printing	60,749 78	62,044 11
Other Expenses	1,725 45	3,267 87
Total	$3,398,285 28	$4,395,610 92

E—*Continued.*

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—*Continued.*

CONDUCTING TRANSPORTATION—FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 198,827 53	$ 213,552 09
Engine and Roundhouse Men	1,093,695 85	1,100,740 55
Fuel for Locomotives	1,300,922 15	1,308,719 22
Water Supply for Locomotives	70,239 24	74,772 97
Oil, Tallow and Waste for Locomotives	42,778 37	43,604 84
Other Supplies for Locomotives	27,557 72	21,558 08
Train Service	753,901 70	759,159 41
Train Supplies and Expenses	98,769 72	129,412 61
Switchmen, Flagmen and Watchmen	527,352 03	553,222 26
Telegraph Expenses	228,321 26	265,167 10
Station Service	1,036,685 50	1,096,220 63
Station Supplies	60,059 04	61,525 74
Car Mileage—Balance	267,757 91	278,794 13
Hire of Equipment—Balance	43,772 86	36,183 89
Loss and Damage	158,068 87	255,335 40
Injuries to Persons	73,197 45	73,719 79
Clearing Wrecks	32,349 93	33,761 44
Operating Marine Equipment	58,596 88	58,386 59
Advertising		50 00
Outside Agencies	363,852 55	369,238 97
Commissions	11,028 86	11,729 77
Stock Yards and Elevators		
Rents for Tracks, Yards and Terminals	44,163 73	24,745 84
do of Buildings and Other Property	18,515 35	19,251 84
Stationery and Printing	74,905 98	77,584 09
Other Expenses	2,377 17	3,846 44
Total	$6,580,343 51	$6,960,061 47

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Salaries of General Officers	$103,529 88	$117,496 10
do of Clerks and Attendants	230,873 42	254,667 97
General Office Expenses and Supplies	18,122 46	22,901 14
Insurance	50,522 58	61,618 87
Law Expenses	99,714 40	150,285 72
Stationery and Printing (General Offices)	31,931 97	32,560 92
Other Expenses	15,575 67	25,167 91
Total	$550,270 38	$865,118 14

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Maintenance of Way and Structures	$3,681,808 00	$4,007,805 89
Maintenance of Equipment	3,473,001 68	4,575,143 43
Conducting Transportation	9,978,628 79	11,255,672 39
General Expenses	550,270 38	865,118 14
Total Operating Expenses	$17,683,508 85	$20,503,444 85

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THE WABASH RAILROAD COMPANY.

ADDITIONS TO PROPERTY—YEAR ENDING JUNE 30, 1905.

New Yards, Main, Side and Spur Tracks	$178,416 63
Double Track, Litchfield to Worden	203,315 54
Double Track, Poag to Bridge Junction	90,850 64
New Tracks, Terminals, etc., Twenty-third Street to Page Avenue, St. Louis	140,764 63
New Engine Terminal, Montpelier	13,934 56
Additions to Y. M. C. A. Building, Decatur, Ill.	577 00
Cost of Real Estate in Bement,	12,663 95
Cost of Real Estate in Harlem	2,340 00
Land for Gravel Pit, Fountain Co., Ind.	14,000 00
Total	$656,862 95

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THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Per Cent. Increase.	Per Cent. Decrease.
Tons Carried, Revenue Freight	9,698,995	10,267,436	5.86	
Tons Carried, Company Freight	2,013,016	1,959,999		2.63
Total Tons Carried	11,712,011	12,227,435	4.40	
Tons carried one Mile, Revenue Freight	2,175,690,058	2,339,770,238	7.54	
Tons carried one Mile, Company Freight	224,987,904	191,820,687		14.72
Total Tons carried one Mile	2,400,617,962	2,531,590,925	5.46	
Average distance each Ton carried	205.0 Miles.	207.0 Miles.	0.98	
Earnings from Freight Traffic	$14,064,656 81	$13,650,185 54		2.95
Operating Expenses	11,749,082 00	12,655,070 34	7.71	
Average Earnings per Ton	$1.4501	$1.3295		8.32
Average Expenses per Ton	1.2114	1.2325	1.74	
Average Rate per Ton per Mile	Cts. 0.6464	Cts. 0.5834		9.75
Average Expenses per Ton per Mile	" 0.5400	" 0.5409	0.17	
Average Net per Ton per Mile	" 0.1064	" 0.0425		60.06
Total Freight Train Mileage	7,598,295	7,827,171	3.01	
Average Earnings per Train Mile	$1.8510	$1.7440		5.78
Average Expenses per Train Mile	1.5463	1.6168	4.56	
Average Net Earnings per Train Mile	0.3047	0.1272		58.25
Car Mileage, Loaded	140,074,003	144,198,504	2.94	
Car Mileage, Empty	52,644,522	59,121,794	12.30	
Car Mileage, Total—Loaded and Empty	192,718,526	203,320,298	5.50	
Average Loaded Cars per Train	18.42	18.42		0.05
Average Empty Cars per Train	6.98	7.55	8.95	
Average Total Cars per Train	25.36	25.97	2.41	
Average Load per Loaded Car—Tons	17.14	17.56	2.45	
Average Load per Car, Loaded and Empty—Tons	12.46	12.45		0.08
Average Load per Train—Tons—including Company Freight	315.94	323.44	2.37	
Average Load per Train—Tons—Revenue Freight only	286.34	298.93	4.40	
Average Earnings per Loaded Car per Mile	Cts. 10.04	Cts. 9.47		5.68
Average Expenses per Loaded Car per Mile	" 8.39	" 8.78	4.65	

PASSENGER.

Number of Passengers carried	6,183,474	6,615,459	6.99	
Number of Passengers carried one Mile	369,263,834	534,569,484	44.76	
Average distance each Passenger carried	59.7 Miles.	80.8 Miles.	35.34	
Earnings from Passenger Traffic	$7,045,525 29	$ 8,917,328 77	26.57	
Earnings, including Mail, Express, etc.	8,580,184 02	10,626,252 08	23.85	
Operating Expenses	5,934,426 85	7,848,374 21	32.25	
Average Revenue per Passenger	$1.1394	$1.3480	18.31	
Average Cost carrying each Passenger	0.9597	1.1864	23.62	
Average Rate per Passenger per Mile	Cts. 1.908	Cts. 1.668		12.58
Average Cost per Passenger per Mile	" 1.607	" 1.488		8.65
Average Net per Passenger per Mile	" 0.301	" 0.200		33.55
Total Passenger Train Mileage	8,100,348	9,593,789	18.44	
Average Earnings per Train Mile	$1.0592	$1.1076	4.57	
Average Expenses per Train Mile	0.7326	0.8181	11.67	
Average Net Earnings per Train Mile	0.3266	0.2895		11.38
Car Mileage—Coaches and Sleepers	28,619,997	36,216,353	26.54	
Total Car Mileage, including Baggage, Mail, Express and Sleepers	37,722,660	46,812,487	24.10	
Average number Cars per Train	4.66	4.88	4.72	
Average number Passengers per Coach and Sleeper	12.90	14.76	14.42	
Average number Passengers per Train	45.59	55.72	22.22	
Average Earnings per Car per Mile	Cts. 22.75	Cts. 22.70		0.02
Average Expenses per Car per Mile	" 15.73	" 16.77	6.61	

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THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Four Years.

Year.	Miles Road Operated.	Earnings Per Mile.	Operating Expenses Per Mile.	Net Earnings Per Mile.	Tons Freight Carried.	Tons Carried One Mile.	Rate Per Ton Per Mile. (cents.)	Expenses Per Ton Per Mile. (cents.)	Net Earnings Per Ton Per Mile. (cents.)	Freight Train Mileage.	Freight Train Earnings Per Mile.	Freight Train Expenses Per Mile.	Freight Train Net Earnings Per Mile.
1882	3,401.8	$4,964 06	$3,682 49	$1,301 56	5,911,012	1,247,811,320	0.951	0.294	0.257	8,599,680	$1 88.00	$1 00.70	$0 37.30
1883	3,587.5	4,715 02	3,827 76	887 26	5,859,566	1,263,790,522	0.946	0.787	0.161	9,486,967	1 26.28	1 04.79	0 21.49
1884	3,582.5	4,650 83	3,896 35	754 48	6,356,781	1,372,842,462	0.887	0.737	0.120	9,612,870	1 22.50	1 05.33	0 17.17
1885	2,912.8	4,738 28	3,995 80	742 48	5,858,571	1,183,951,126	0.803	0.699	0.103	7,728,106	1 22.98	1 07.16	0 15.82
1886	2,191.4	5,843 96	4,308 62	1,535 34	5,486,067	1,101,686,716	0.818	0.605	0.213	6,210,422	1 45.11	1 07.80	0 37.31
1887	1,989.5	6,745 50	4,757 22	1,988 28	6,409,301	1,075,047,063	0.955	0.623	0.332	5,787,140	1 89.33	1 16.15	0 43.18
1888	1,950.1	6,224 26	5,014 40	1,209 86	6,281,579	1,072,298,610	0.750	0.638	0.113	5,968,518	1 84.96	1 14.86	0 20.12
Year ending June 30													
1889	1,944.4	6,475 25	5,047 44	1,427 81	6,767,780	1,094,717,809	0.756	0.627	0.129	6,193,092	1 85.55	1 12.41	0 23.14
1890	1,922.3	6,948 20	5,032 11	1,914 19	6,482,856	1,420,197,332	0.647	0.479	0.168	7,786,082	1 27.07	0 94.07	0 33.00
1891	1,922.9	6,775 33	4,974 37	1,800 96	6,256,064	1,209,179,056	0.783	0.563	0.170	6,511,126	1 34.08	1 02.21	0 31.12
1892	1,916.8	7,508 95	5,651 36	1,855 59	6,928,051	1,320,510,161	0.705	0.554	0.151	7,601,709	1 30.65	1 02.68	0 27.97
1893	1,900.0	7,524 04	5,718 81	1,805 73	7,035,337	1,409,033,492	0.663	0.550	0.133	7,567,247	1 27.09	1 02.39	0 24.70
1894	1,935.4	6,485 20	5,079 25	1,405 95	5,414,994	1,097,560,279	0.698	0.697	0.091	6,258,093	1 22.35	1 06.40	0 15.95
1895	1,935.4	6,179 52	4,809 40	1,370 12	5,811,587	1,100,976,202	0.721	0.560	0.161	6,245,391	1 27.02	0 98.65	0 28.37
1896	1,936.2	6,614 88	4,773 88	1,841 00	6,109,710	1,218,785,367	0.596	0.529	0.176	5,313,782	1 34.32	1 00.36	0 33.96
1897	1,936.2	5,958 80	4,121 04	1,832 28	5,954,780	1,149,999,024	0.561	0.470	0.191	5,402,191	1 40.77	1 00.00	0 40.77
1898	2,061.8	6,407 54	4,514 08	1,893 51	6,382,831	1,365,998,174	0.524	0.447	0.177	6,206,504	1 35 17	0 96.80	0 38.37
1899	2,277.7	6,319 52	4,571 05	1,748 47	6,987,611	1,666,830,054	0.553	0.425	0.133	7,075,158	1 50.05	1 14.31	0 35.74
1900	2,399.5	7,027 67	5,106 83	1,920 74	8,040,220	1,902,881,278	0.551	0.436	0.128	6,961,266	1 59.84	1 23.69	0 36.15
1901	2,360.3	7,437 39	5,402 72	2,034 67	8,354,949	1,978,952,453	0.561	0.463	0.141	6,841,121	1 71.95	1 31.78	0 40.17
1902	2 432.0	7,816 21	5,679 33	2,135 38	8,878,603	1,947 404,142	0.604	0.469	0.137	7,284,158	1 82.97	1 41.59	0 41.38
1903	2,483.3	8,513 20	6,368 81	2,144 39	9,891,514	2,198,073,383	0.606	0.546	0.106	7,568,295	1 84.10	1 54 63	0 30.47
1904	2,516.7	9,148 34	7,026 47	2,121 87	9,898,995	2,176,980,058	0.648	0.646	0.102	7,827,171	1 74.40	1 61.68	0 12.72
1905	2,517.2	9,811 14	8,145 34	1,665 80	10,267,436	2,239,770,288	0.583	0.541	0.042				

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THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-FOUR YEARS—*Continued.*

YEAR.	Average Load Per Car. (Tons.)	Average Fr'ght Train Load. (Tons.)	Number Passengers Carried.	Number Passengers Carried One Mile.	Rate per Passenger Per Mile. (cents.)	Expenses Per Passenger Per Mile. (cents.)	Net Earnings Per Pas'gr Per M. (cents.)	Passenger Train Mileage.	Passenger Train Earnings Per Mile.	Passenger Train Expenses Per Mile.	Passenger Train Net Earnings Per Mile.	Average No. of Paying Passengers Per Car.	Average No. of Paying Passengers Per Train.
1882	9.68	145.07	4,251,393	166,198,560	2.373	1.804	0.569	4,942,209	$0 97.70	$0 60.60	$0 37.10	11.16	33.60
1883	9.58	133.21	3,905,665	154,727,718	2.493	2.190	0.303	4,886,465	1 00.26	0 69.54	0 30.62	10.39	31.79
1884	10.12	142.92	4,046,577	154,700,993	2.386	2.251	0.135	5,024,882	0 93.70	0 69.29	0 24.41	10.19	30.79
1885	10.38	153.24	3,180,644	138,274,372	2.314	2.247	0.067	4,525,662	0 91.13	0 68.65	0 22.48	10.28	30.55
1886	10.80	177.39	2,726,166	131,006,562	2.186	2.120	0.066	3,971,677	0 91.63	0 69.94	0 21.69	10.11	32.98
1887	11.01	186.41	2,802,036	143,762,871	2.212	1.993	0.219	4,103,310	0 97.41	0 67.41	0 30.00	10.07	35.04
1888	10.94	179.96	3,073,231	157,146,634	2.096	1.867	0.229	4,521,428	0 89.78	0 64.90	0 24.88	9.89	34.76
Year ending June 30.													
1889	11.08	179.40	3,059,773	152,404,645	2.150	1.939	0.211	4,525,866	0 88.65	0 65.28	0 23.37	9.59	33.67
1890	12.15	196.29	2,115,604	149,183,008	2.130	1.890	0.240	4,475,682	0 88.04	0 62.99	0 25.05	9.67	33.33
1891	11.51	182.90	3,416,076	149,904,203	2.178	1.842	0.336	4,559,766	0 88.16	0 60.57	0 27.59	9.11	32.88
1892	12.09	186.36	3,826,749	170,201,087	2.057	1.839	0.218	4,714,252	0 91.31	0 66.33	0 24.98	9.75	36.10
1893	12.28	186.20	3,934,916	177,119,065	2.009	1.727	0.282	4,905,338	0 91.87	0 63.67	0 28.20	9.98	36.86
1894	11.94	175.39	3,724,674	210,281,487	1.877	1.508	0.369	5,133,272	0 92.61	0 61.79	0 30.82	11.49	40.96
1895	12.26	176.29	3,404,771	139,472,829	2.146	1.979	0.167	4,917,128	0 77.30	0 56.13	0 21.17	8.41	28.38
1896	12.67	196.04	3,542,042	158,966,979	2.038	1.828	0.210	5,019,857	0 81.41	0 57.89	0 23.52	9.42	31.66
1897	12.88	212.87	3,149,170	135,963,860	2.087	1.895	0.192	4,826,090	0 77 57	0 53.43	0 24.14	8.75	28.19
1898	12.99	216.56	3,517,682	180,359,187	1.957	1.774	0.183	5,499,994	0 81.76	0 58.18	0 23 52	9.65	32.79
1899	14.83	255.12	3,751,019	210,592,939	1.897	1.610	0.287	6,270,751	0 79.42	0 54.06	0 25.36	9.91	32.58
1900	16.07	291.02	4,277,785	233,848,055	1.913	1.650	0.263	6,844,720	0 84.03	0 58.09	0 25.94	9.97	35.19
1901	16.67	309.00	4,943,016	264,268,214	1.895	1.558	0.337	7,237,313	0 85.14	0 56.89	0 28.25	10.53	36.51
1902	16.69	316.38	5,109,302	322,706,490	1.791	1.497	0.294	7,691,050	0 91.40	0 62.63	0 28.57	12.00	41.96
1903	17.33	331.29	5,944,913	330,111,942	1.859	1.667	0 192	7,715,162	0 96.84	0 71 32	0 25.52	12.17	42.79
1904	17.14	315.94	5,183,474	369,293,834	1.908	1.807	0.101	8,100,348	1 05.92	0 73 26	0 32.66	12.90	45.59
1905	17.56	323.44	6,615,459	534,569,484	1.668	1.488	0.200	9,593,769	1 10.76	0 81.81	0 28.95	14.76	55.72

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THE WABASH RAILROAD COMPANY.

Statement of Funded Debt and Interest Charges.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,011,000 00	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1887	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 5,500,000 00 B 20,500,000 00	6%	Jan. and July.	*
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	2,223,000 00	4%	Jan. and July.	88,920 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	795,000 00	5%	May and Nov.	39,750 00
The Wabash R. R. Co., Equipment Gold Bonds, Series B	Nov. 1904	Dec. 1914	926,000 00	4½%	June and Dec.	38,160 00
The Wabash R. R. Co., 5% Collateral Notes	May, 1904	May, 1907	6,180,000 00	5%	May and Nov.	308,000 00
The Wabash R. R. Co., Temporary 4½% Gold Notes	May, 1905	May, 1910	7,000,000 00	4½%	May and Nov.	315,000 00
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	3,000,000 00	4%	Mar. and Sept.	120,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1873	Oct., 1903	488,000 00	6%	April and Oct.	29,280 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1901	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	2,778,000 00	3½%	April and Oct.	111,055 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,500,000 00	4%	Jan. and July.	84,000 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1923	100,000 00	4%	Jan. and July.	4 000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1903	May, 1943	200,000 00	4%	May and Nov.	8,000 00
Leased Line Bonds.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1878	July, 1908	421,000 00	6%	Jan. and July.	25,260 00
Total			$108,897,000 00			$3,797,225 00

*Interest payable if earned.

NOTE.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $3,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1905.

The total authorized issue of Omaha Division First Mortgage Bonds is $3,500,000.00. The total amount issued and outstanding June 30, 1905, is $2,778,000.00, $237,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.00 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and in the acquisition of additional equipment.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series A, for the first year ending May 1, 1905, is $40,950.00. Ten per cent of the principal sum—viz., $84,000.00—is payable each year, making a reduction in the annual interest charge, each year, $4,200.00 until the bonds have matured.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series B, for the first year ending December 1, 1905, is $38,160.00. Ten per cent of the principal sum—viz., $87,000.00—is payable each year, making a reduction in the annual interest charge each year, of $3,815.00 until the bonds have matured.

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SIXTEENTH

ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad

COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1905

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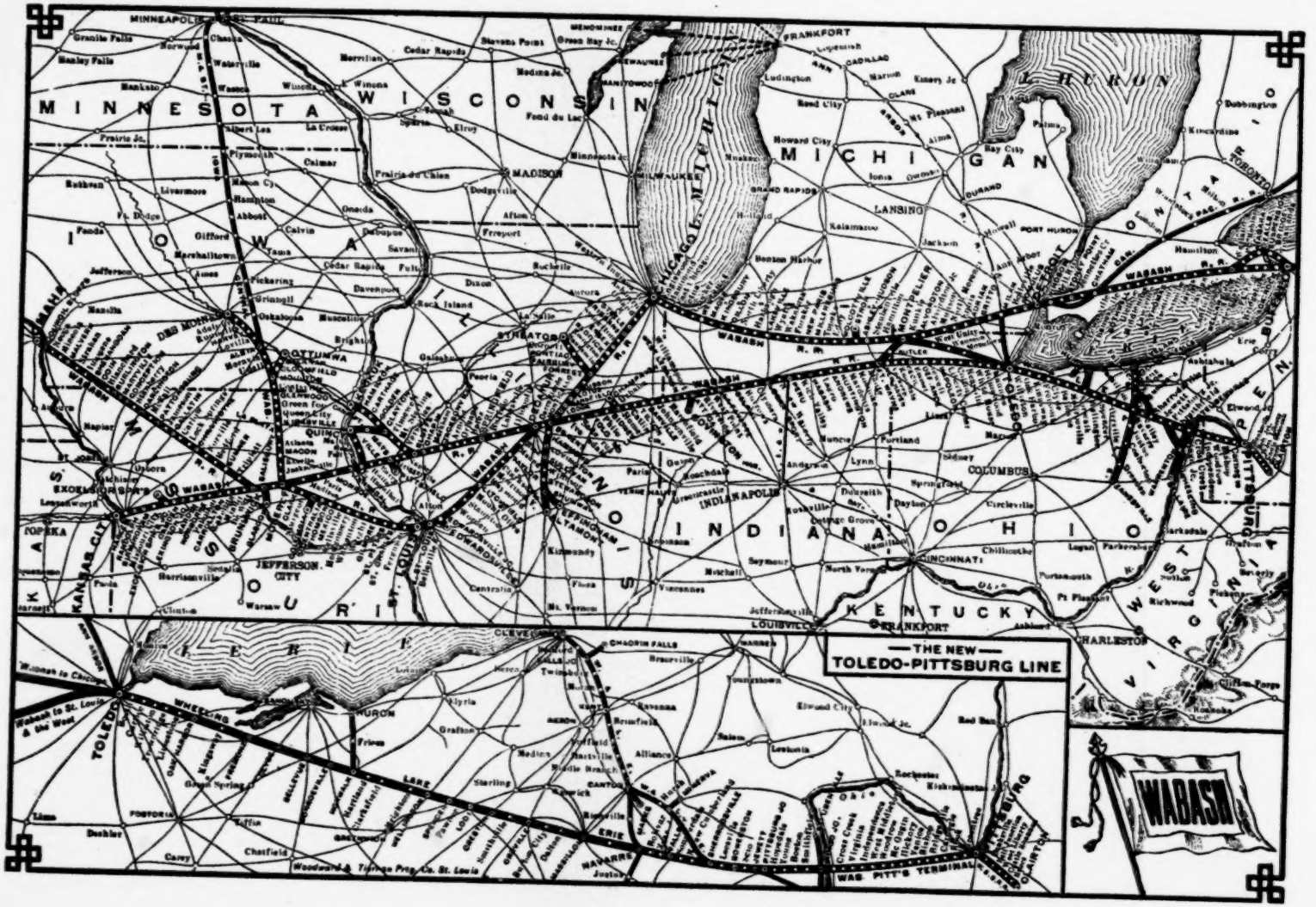
THE NEW
TOLEDO-PITTSBURG LINE
WABASH
MINNESOTA
WISCONSIN
MICHIGAN
IOWA
ILLINOIS
INDIANA
OHIO
KENTUCKY
MISSOURI
KANSAS
WEST VIRGINIA
ONTARIO
L. HURON
L. MICHIGAN
L. ERIE
MINNEAPOLIS
ST. PAUL
MADISON
MILWAUKEE
FRANKFORT
LANSING
DETROIT
TORONTO
CHICAGO
OTTUMWA
QUINCY
STREATOR
INDIANAPOLIS
COLUMBUS
CINCINNATI
LOUISVILLE
CHARLESTON
JEFFERSON CITY
TOPEKA
KANSAS CITY
CLEVELAND
HURON
TOLEDO
PITTSBURG
WAS. PITT'S TERMINAL
CLAIRTON
WHEELING
LAKE ERIE
NAVARRE
Wabash to Chicago
Wabash to St. Louis & the West
Woodward & Tierman Prtg. Co. St. Louis

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Sixteenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co

For The Fiscal Year Ending
June 30th, 1905.

ST. LOUIS.
Woodward & Tiernan Printing Co.
1905.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

OCTOBER 18th, 1905.

EDWARD T. JEFFERY, . . *Chairman of the Board.*
FREDERIC A. DELANO, . . *President.*
EDGAR T. WELLES, ... *Vice-President.*
WELLS H. BLODGETT, . . *Third Vice-President and General Counsel.*
E. B. PRYOR, ... *Fourth Vice-President and Asst. Sec'y.*
HENRY MILLER, ... *General Manager.*
C. N. TRAVOUS, ... *General Solicitor.*
GEORGE G. YEOMANS, . . *Assistant to President.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
S. E. COTTER, ... *General Superintendent.*
T. J. TOBIN, ... *Auditor.*
D. O. IVES, ... *General Traffic Manager.*
W. C. MAXWELL, ... *Asst. General Traffic Manager.*
S. B. KNIGHT, ... *General Freight Agent.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
D. I. FORSYTH, ... *Acting Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
C. A. HOW, ... *Acting Purchasing Agent.*
I. R. L. WILES, ... *Supply Agent.*
A. O. CUNNINGHAM, . . . *Chief Engineer.*
J. B. BARNES, ... *Supt. Locomotive and Car Dept.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
DR. H. W. MOREHOUSE, . . *Chief Surgeon.*

DIRECTORS.

GEO. J. GOULD, S. C. REYNOLDS,
EDWARD T. JEFFERY, ROBERT C. CLOWRY,
EDGAR T. WELLES, THOS. H. HUBBARD,
WILLIAM B. SANDERS, JOHN T. TERRY,
FREDERIC A. DELANO, RUSSELL SAGE,
WELLS H. BLODGETT, WINSLOW S. PIERCE,
ROBERT M. GALLOWAY.

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In Memoriam

THE Directors of the Wabash Railroad Company record their affectionate remembrance of their former President,

OSSIAN D. ASHLEY,

who died on December 16th, 1904, and their recognition of his long and eminent service in the interest of the company and its patrons.

Mr. Ashley's connection with the present company, and the companies it succeeded, covered a period of some thirty years. He was its cheerful and undaunted counselor in time of adversity, and its wise and conservative guide in time of prosperity. He gave his constant thought and his mature and marked ability to the arduous work that made the basis of the company's present success and strength, and through his safe and conservative policy the company steadily advanced in its service to the public and in value to its owners. It is not eulogy, but simple truth, to say that all who knew him conceded his manly courage, his exceptional strength and his inflexible honesty.

The Directors also record that, in the death, on March 27th, 1905, of Vice-President and Freight Traffic Manager,

MILTON KNIGHT,

the company lost the services of one of its oldest and most valued officials, who had, by his unquestioned integrity and kindness of manner, endeared himself to all his associates, and who, by his ability and strength of character, had attained the highest rank among the traffic officials of the country.

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SIXTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30th, 1905

NEW YORK, N. Y., OCTOBER 18TH, 1905.

TO THE STOCKHOLDERS AND DEBENTURE
MORTGAGE BONDHOLDERS OF
THE WABASH RAILROAD COMPANY,

GENTLEMEN:—

The report for the year ending June 30th, 1905, is submitted herewith, and while showing a large increase in gross earnings ($1,672,973.47), it also shows an increase in operating expenses of $2,819,935.70, or a decrease in net earnings of $1,146,962.23, but an analysis of the extraordinary expenditures charged direct to operating expenses will fully explain the decrease.

STATISTICS.

The following statement gives in condensed form the revenues, expenses, charges, etc., for the fiscal year as compared with the previous year:

	1903—1904.	1904—1905.
Total revenue of the Company from all sources was	$23,513,332 70	$25,434,940 27
Expenses of Operation, including taxes, track rentals and miscellaneous	19,250,873 18	22,089,940 82
	$ 4,262,459 52	$3,344,999 45
Interest on Bonds	3,092,422 72	3,468,572 17
Net Revenue	$ 1,170,036 80	$ 123,572 72*
Additions to Property	591,446 10	656,862 95
	$ 578,590 70	$ 780,435 67
Sinking Fund Charges, account new equipment; steamers	$ 459,299 54	$ 678,936 72
	$ 119,291 16	$1,459,372 39
Dividend on Debenture "A" Bonds	105,000 00	.....
Surplus to Profit & Loss Account	$ 14,291 16	.....
Deficit to Profit & Loss Account	.....	$1,459,372 39

The growth of the traffic and revenues since 1897 is shown by the following comparisons:

Year.	Ton Miles.	Passenger Miles.	Gross Earnings.
1897	1,149,989,024	135,963,860	$11,526,787 00
1898	1,365,693,174	180,359,167	13,207,862 00
1899	1,666,830,054	210,592,939	14,393,974 00
1900	1,902,881,278	233,848,065	16,440,990 00
1901	1,978,952,453	264,268,214	17,554,465 00
1902	1,947,404,142	322,708,490	19,053,493 00
1903	2,198,073,383	330,111,942	21,140,829 00
1904	2,175,680,058	369,283,834	23,023,626 00
1905	2,339,770,238	534,569,484	24,696,600 00

The increases in different classes of earnings were:

	1897.	1905.	Per cent Increase.
Freight	$ 7,604,769 95	$13,650,185 54	79. 5%
Passenger	2,837,973 54	8,917,828 77	214. 2%
Mail	542,635 09	837,088 25	54. 3%
Express	284,706 69	691,736 42	143. 0%
Miscellaneous	256,702 09	599,761 09	133. 6%
Total	$11,526,787 36	$24,696,600 10	114. 3%

* Deficit.

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REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	1903-1904.	1904-1905.	Increase.
Gross Earnings	$23,028,626 63	$24,696,600 10	$1,672,973 47
Operating Expenses	17,683,506 85	20,503,444 55	2,819,985 70
Net Earnings	$5,349,117 78	$4,193,155 55	$1,146,962 23*
Per Cent. of Oper. Exp. to Earnings	76.81	83.02	6.21
Gross Earnings per mile	9,148 34	9,811 14	662 80
Operating Expenses per mile	7,026 47	8,145 34	1,118 87
Net Earnings per mile	2,121 87	1,665 80	456 07*

EARNINGS.

	Per Cent.	1903-1904.	Per Cent.	1904-1905.	Increase.
Freight	61.09	$14,064,656 31	55.27	$13,650,185 54	$ 414,471 27*
Passenger	30.60	7,045,835 29	36.11	8,917,828 77	1,872,308 48
Mail	3.61	830,928 23	3.30	837,088 28	6,100 05
Express	2.32	533,708 85	2.80	691,736 42	158,032 57
Miscellaneous	2.38	548,812 45	2.43	599,761 69	50,948 64
Total	.....	$23,028,626 63	.....	$24,696,600 10	$1,672,973 47

EXPENSES.

	Per Cent.	1903-1904.	Per Cent.	1904-1905.	Increase.
Maintenance of Way and Structures	20.82	$ 3,681,603 00	19.55	$ 4,007,505 59	$ 325,897 59
Maintenance of Equipment	19.64	3,473,001 69	22.31	4,575,148 43	1,102,146 75
Conducting Transportation	56.43	9,978,628 79	54.90	11,255,672 39	1,277,043 60
General Expenses	3.11	550,270 38	3.24	665,118 14	114,847 76
Total	.....	$17,683,506 85	.....	$20,503,444 55	$2,819,985 70

*Decrease.

ANALYSIS OF OPERATION.

Operating expenses increased $2,819,935.70 (15.95 per cent).

The increase of $1,672,973.47 in earnings is divided as follows:

Wabash, west of Detroit, Increase	$1,601,883 32
Buffalo Division, Increase	71,090 15

The increase of $2,819,935.70 in expenses is divided as follows:

Wabash, west of Detroit, Increase	$2,509,853 24
Buffalo Division, Increase	310,082 46

TRAFFIC.

FREIGHT.

The freight traffic statistics show an increase of 164,090,180 (7.54 per cent) in "tons revenue freight carried one mile," at an average rate of 0.5834 cents per mile, a decrease of 0.0630 cents (9.75 per cent), at a cost per ton mile of 0.5409 cents, an increase of 0.0009 cents (0.17 per cent), leaving a net profit of 0.0425 cents as compared with 0.1064 cents last year, a decrease of 0.0639 cents (60.06 per cent).

The average revenue per freight train mile was $1.7440 expense per mile $1.6168, and net earnings, $0.1272 against $1.8510, $1.5463 and $0.3047 respectively last year.

The total freight train mileage was 7,827,171, an increase of 228,876, or 3.01 per cent.

The loaded cars per train decreased 0.01 cars, the load per car increased 0.42 tons and the revenue train load was 298.93 tons against 286.34 tons last year, an increase of 12.59 tons 4.40 per cent. For the years 1895 to 1905 the revenue train load and load per car, have been as follows:

Year.	Train Load.	Car Load.
1895	176.29 tons.	13.37 tons.
1896	193.04 "	13.80 "
1897	212.87 "	14.00 "
1898	216.55 "	14.16 "
1899	234.72 "	14.83 "
1900	268.94 "	16.07 "
1901	283.47 "	16.67 "
1902	284.66 "	16.69 "
1903	301.76 "	17.82 "
1904	286.34 "	17.14 "
1905	298.93 "	17.56 "

The actual train load, including company freight, was 323.44 tons, against 315.94 tons last year.

The increase in train load over 1895 has been 122.64 tons, and car load has increased 4.19 tons.

In the preparation of train statistics, all loaded cars, whether "revenue," freight or "company" freight, are included in "loaded cars per train."

With an increase of 7.54 per cent in "services rendered" *i. e.*, "tons carried one mile," there was a decrease in freight revenue of $414,471.27 (2.95 per cent), with an increase of $905,988.34 (7.71 per cent), in expenses of freight traffic. While the increase in freight tonnage was 568.441 tons (5.86 per cent), the increase in freight train service was 8.01 per cent.

PASSENGER.

"Passengers carried one mile" increased 165,285,650 (44 76 per cent), and in revenue $1,872,303.48 (26.57 per cent). There was an increase of $94,740.31 on the Buffalo Division, and an increase of $1,777,563.17 on the Wabash proper.

The rate per passenger per mile was 1.668 cents, a decrease of 0.240 cents, and expenses per passenger per mile 1.468 cents, a decrease of 0.139 cents, leaving 0.200 cents per mile net, as against 0.301 cents last year, a loss of 33.55 per cent

Train earnings per mile were 1.1076, a gain of 4.84 cents; the expenses were 81.81 cents per train mile, an increase of 85.5 cents, and net earnings per train mile were 28.95 cents against 32.66 cents in 1904.

The "passengers carried one mile" increased 44.76 per cent, while the cost of passenger train service increased 32.25 per cent, and the actual number of passengers carried was 6,615,459, an increase of 431,985 (6.99 per cent).

Statistics of freight and passenger traffic show the earnings divided between the two classes of traffic as follows:

Freight train gross earnings.....	$13,650,185.54	(56.23%)
Passenger train gross earnings...	10,626,252,08	(43.77%)

Passenger train earnings include mail, express, etc.

OPERATION AND MAINTENANCE.

Expenses of operation and maintenance increased as follows:

	Buffalo Division.	Wabash Proper.	Total.
Maintenance of Way and Structures	$ 93,158 33	$ 232,73 26	$ 325,897 59
Maintenance of Equipment	91,472 35	1,010,674 40	1,102,146 75
Conducting Transportat'n	124,579 34	1,152,464 26	1,277,043 60
General Expenses	872 44	113,975 32	114,847 76
Total	$310,082 46	$2,509,553 24	$2,819,935 70

The principal items of increase were as follows:

Maintenance of Way and Structures—		
Renewals of Rails	$235,619 95	
Renewals of Ties	212,769 87	
Renewals of Buildings, Etc	103,469 15	$551,858 97
Maintenance of Equipment—		
Repairs of Locomotives	124,269 04	
Repairs of Passenger Cars	38,016 95	
Repairs of Freight Cars	637,151 27	
Payments Account Equipment	302,491 21	1,101,928 47
Conducting Transportation—		
Fuel for Locomotives	94,840 38	
Engine and Roundhouse Men	127,026 58	
Train Service	85,257 23	
Train Supplies	140,750 81	
Station Service, Etc	123,817 62	
Car Mileage Balances	94,059 01	
Switchmen and Watchmen	37,494 26	
Telegraph Expenses	63,521 64	
Injuries to Individuals	330,105 99	
Loss and Damage	105,214 48	
Advertising	36,102 43	1,238,190 43

Maintenance of Way.

New Steel Rail Laid.

	1903-1904.	1904-1905.	Increase.	Decrease.
No. Tons 80-lb. New Rail	34,488.0	6,051.9	.....	28,436.1
Miles New Steel Rail Laid	275.0	48.5	.....	226.5

Note.—In the above statement there are included 56.7 tons, 0.5 mile of new 80-lb. rail laid on the Grand Trunk Section of the Buffalo Division, the Wabash paying its proportion on a wheelage basis.

Miscellaneous Work.

	1903-1904.	1904-1905.	Increase.	Decrease.
No. Cross-ties laid, Main Track	870,521	1,088,283	217,762	.....
" Cross-ties laid, Side Track	167,652	265,516	97,864	.....
" Sets Switch-ties put in	483	806	323	.....
" Miles Track ballasted (stone, gravel, burnt clay, etc.)	198.9	198.8	.....	0.1
" Miles Fence Rebuilt	160.4	248.6	88.2	.....
" Miles Old Fence Repaired	149.1	124.4	.....	24.7
" Miles New Fence Built	99.0	19.2	.....	79.8
" Miles Ditching	48.6	29.7	.....	18.9
" Miles Sidings and Spurs Built	55.7	44.2	.....	11.5

Note.—Included in the above are 154,968 cross ties, 48 sets switch ties, 68.5 miles of track ballasted, 22.8 miles of fence rebuilt, and 6.9 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; and 7,275 cross-ties and 2 sets switch-ties put in on the Erie Section of the Buffalo Division.

NUMBER OF FEET OF TRESTLE SHORTENED, REPLACED WITH IRON PIPE, FILLED, ETC., DURING THE YEAR ENDING JUNE 30TH, 1905.

	Shortened.	Replaced with Iron Pipe.	Filled and Abandoned.	Cost.
Buffalo Division	.....	.....	.....	.....
Detroit Division	80 feet.	30 feet.	8,728 feet.	$105,299 56
Eastern Division	71 "	445 "	.....	8,961 92
Middle Division	112 "	112 "	324 "	612 20
Springfield Division	32 "	.....	52 "	642 60
St. Louis Division	102 "	1,597 "	1,326 "	18,329 27
Western Division	.....	546 "	95 "	6,681 83
Total	397 feet.	2,730 feet.	10,525 feet.	$140,527 38

TOTAL DECREASE, IN LINEAL FEET, OF TRESTLE WORK.

	1903-1904.	1904-1905.
Buffalo Division	610	270
Detroit Division	704	9,418
Eastern Division	814	516
Middle Division	4,992	548
Springfield Division		84
St. Louis Division	3,954	102
Western Division	794	641
Total	11,868	11,579

EXTRAORDINARY REPAIRS AND RENEWALS, IMPROVEMENTS AND ADDITIONS.

REPAIRS AND RENEWALS.

Bridges, Wooden—	
Rebuilt 59 trestles at various points	$ 56,668 33
Harvey, Ia., Bridge No. 2891, renewed Howe truss	7,607 00
Total	$ 64,275 33
Wharves, Docks and Landings—	
Detroit, Mich.—Renewed C. P. slip dock	$ 7,716 53
Chicago, Ill.—Repaired dock and dock house and filling at 16th street (unfinished)	1,458 33
Total	$ 9,174 86
Passenger and Freight Stations, Shops and Other Buildings, etc.—	
Detroit, Mich.—Renewed driveway, team tracks	$ 333 06
Hand, Mich.—Rebuilt combination depot	1,482 22
Adrian, Mich.—Renewed passenger platform with brick	691 46
Adrian, Mich.—Renewed depot roof with slate	401 38
Montpelier, O.—Steam heat line for coaches	329 46
Montpelier, O.—Renewed engine terminal	14,768 50
Hamilton, Ind.—Rebuilt combination depot	1,551 29
Ashley, Ind.—Rebuilt combination depot	3,353 62
Ashley, Ind.—Extension and repairs to round house	2,496 22
Ashley, Ind.—Repairs to steam heating in round house	272 98
N. Liberty, Ind.—Renewed depot roof with slate	263 89
N. Liberty, Ind.—Renewed coal dock trestle	275 18
Ft. Wayne, Ind.—Extended transfer table pit	468 85
Burrows, Ind.—Rebuilt station platform	526 06
Lafayette, Ind.—Rebuilt frame four stall engine house	3,943 63
West Point, Ind.—Renewed station platform (unfinished)	169 60
State Line, Ind.—Rebuilt No. 3 depot	1,497 44
State Line, Ind.—Rebuilt station platform with brick	207 20
Whitehouse, O.—Rebuilt station platform	571 01
Whitehouse, O.—Rebuilt stock yards	233 48
Napoleon, O.—Rebuilt passenger platform with brick	343 17
Chicago, Ill.—Renewed roof and general repairs of round house	1,361 74
Chicago, Ill.—Planked team track at 12th street (unfinished)	648 04
Chicago, Ill.—Placed screens in windows of Wabash elevator	290 00
Worth, Ill.—Renewed timber platform with brick (unfinished)	509 85
Worth, Ill.—Built new No. 3-A depot to take place of old depot which was sold (unfinished)	689 34
Forrest, Ill.—Renewed railroad crossings at intersection of Wabash and T. P. & W. Ry	438 00
Gibson, Ill.—Renewed depot platform with concrete	15 40
Gibson, Ill.—Renewed railroad crossing at intersection of Wabash and I. C. R. R.	285 00
Proctor, Ill.—Renewed timber platform with brick	52 40
Mansfield, Ill.—Renewed railroad crossing at intersection of Wabash and C. C. C. & St. L. Ry	217 00

Lodge, Ill.—Renewed railroad crossings at intersection of Wabash and I. C. R. R.	$ 258 00
Lovington, Ill.—Extended, remodeled and painted depot	764 38
Decatur, Ill.—Renewed six stalls of old brick round house with six temporary frame stalls	4,738 06
Decatur, Ill.—Renewed 70 ft. 125 ton turntable with new 70 ft. 200 ton table	4,200 35
Blue Mound, Ill.—Renewed timber platform	663 28
Taylorville, Ill.—Paved driveway at passenger station with brick	2,292 53
Taylorville, Ill.—Threw 540 ft. of track for Paper Mill Co.	101 88
Litchfield, Ill.—Renewed railroad crossings at intersection of Wabash and C. C. C. & St. L. Ry.	1,153 00
Edwardsville, Ill.—Paved crossing, put in concrete curbing and rebuilt platform, etc.	2,906 53
Edwardsville, Ill.—Raised tracks, etc.	2,284 85
Harristown, Ill.—Renewed timber platform with brick	334 32
Springfield, Ill.—Repaired tile floor and marble work in passenger station	300 18
Springfield, Ill.—Renewed cab shop pits with concrete	621 75
Jacksonville, Ill.—Rebuilt part of stock pens and sheds, account fire	228 09
Jacksonville, Ill.—Built new freight house to replace old one (unfinished)	5,798 32
Markham, Ill.—Built new No. 4 depot to replace one destroyed by fire	671 56
Versailles, Ill.—Built new frame depot to replace old one (unfinished)	127 53
St. Louis, Mo.—Sarah street, renewed crossing gates	396 34
St. Louis, Mo.—Olive road, renewed crossing gates	230 00
St. Louis, Mo.—Delmar avenue, renewed crossing gates	455 00
St. Louis, Mo.—Union avenue, renewed crossing gates	430 80
St. Louis, Mo.—Destrehan street, renewed crossing gates	323 33
St. Louis, Mo.—Bremen avenue, renewed crossing gates	346 00
St. Louis, Mo.—Ewing avenue, renewed track scales	1,241 52
Darst Place, Mo.—Rebuilt waiting shed and platform	124 09
Foristell, Mo.—Renewed depot roof and platform	584 09
Benton City, Mo.—Renewed platform	445 30
Moberly, Mo.—Renewed platform at freight house	1,413 49
Moberly, Mo.—Renewed track scale foundation	590 32
Macon, Mo.—Rebuilt baggage and express building	422 41
Queen City, Mo.—Renewed depot roof and platform	348 55
Hamilton, Ia.—Rebuilt depot and platform	1,656 61
Salisbury, Mo.—Renewed depot and platform	2,648 91
Salisbury, Mo.—Renewed engine house	707 18
Keytesville, Mo.—Moved depot	251 01
Brunswick, Mo.—Renewed track scales	624 79
Miami, Mo.—Renewed platform	203 72
Carrollton, Mo.—Renewed roof of depot with slate	576 23
Carrollton, Mo.—Renewed wood platform	77 18
Mo. City, Mo.—Renewed depot	1,892 31
Mo. City, Mo.—Renewed coal and oil house	120 77
Mo. City, Mo.—Renewed water closet	46 27
Triplett, Mo.—Renewed platform	274 71
Jameson, Mo.—Renewed platform	382 06
Lock Springs, Mo.—Renewed platform	329 40
Council Bluffs, Ia.—Renewed platform	311 27
Total	$ 83,584 74

6960

Renewals of tracks, 23d Street to Page Ave., St. Louis, Mo.—

Two main tracks relaid with 80 lb. rail, 23d St. to Union Ave		
One main track, Union Ave. to Page Ave., relaid with 80 lb. rail	$	1,072 09
Total		2,426 63
	$	3,498 72

Water and Fuel Stations.—

Belleville, Mich.—Rebuilt water plant	$	2,388 26
Milan, Mich.—Rebuilt water plant (unfinished)		34 24
Ashley, Ind.—Repairs to stand pipe		115 00
Defiance, O.—Rebuilt water tank		1,823 89
Ft. Wayne, Ind.—Relaid 4 inch water main to shops		446 49
Campus, Ill.—Built new pump house, to replace one destroyed by fire		186 55
Streator, Ill.—Erected water tank moved from Mitchell (unfinished)		1,214 85
Taylorville, Ill.—Renewed old 8 inch Poage standpipe, erected 1885, with new 12 inch Poage style "C"		335 54
Bluffs, Ill.—Raised coal chute sixteen inches		290 74
Ferguson, Mo.—Water tank on iron frame		1,680 96
St. Charles, Mo.—Changed standpipe to 12 inch		386 58
Macon, Mo.—New water tank on iron frame		1,441 84
Kirksville, Mo.—New water tank on iron frame		3,605 59
Gallatin, Mo.—Renewed tank		1,388 65
White Cloud, Iowa.—Renewed tank		1,377 59
Silver City, Iowa.—Renewed tank		1,533 84
Total	$	18,200 61

IMPROVEMENTS.

Steel Bridges (new) to Replace Wooden Bridges.—

French Landing, Mich.—Bridge No. 752, renewed Howe truss with deck spans and masonry	$	2,005 65
Whittaker, Mich.—Bridge No. 779, renewed pile trestle with masonry and through girder		92 65
Britton, Mich.—Bridge No. 821, renewed pile trestle with masonry and through girder		183 05
Montpelier, O.—Bridge No. 1357, renewed pile trestle with masonry and deck plate girder		2,850 03
Hamilton, Ind.—Bridge No. 1383, renewed pile trestle with masonry and deck plate girder		9,104 99
Montpelier, O.—Bridge No. 214, renewed pile trestle with solid floor deck girder		1,711 24
Artic, Ind.—Bridge No. 235, renewed pile trestle with masonry and solid floor deck girder (unfinished)		1,273 54
New Haven, Ind.—Bridge No. 317, renewed with masonry and solid floor deck girder		23 90
Ft. Wayne, Ind.—Bridge No. 323, renewed pile trestle with masonry and solid floor deck girder		26 78
Roanoke, Ind.—Bridge No. 351, renewed pile trestle with masonry abutments, one pier and solid floor two-span through girder		41 68

Roanoke, Ind.—Bridge No. 357, renewed pile trestle with masonry and deck girder	$ 283 57
Williamsport, Ind.—Bridge No. 683, renewed pile trestle with masonry and solid floor through girder	151 92
Danville, Ill.—Bridge No. 745, renewed with masonry and solid floor deck girder	76 25
Okolona, O.—Bridge No. 845, renewed with solid floor deck girder	839 50
Okolona, O.—Bridge No. 848, renewed with solid floor deck girder	260 54
Homer, Ill.—Bridge No. 34, renewing pile trestle with concrete abutments and solid floor construction (unfinished	954 62
Sidney, Ill.—Bridge No. 42A, renewed pile trestle with new 45-foot girder (unfinished)	510 37
Sidney, Ill.—Bridge No. 45, renewed pile trestle with masonry abutments, solid floor and deck girder (unfinished)	2,714 67
Campus, Ill.—Bridge 1195, renewed pile trestle with masonry abutments and through solid floor girder (unfinished)	1,619 26
Wing, Ill.—Bridge No. 1240, renewed pile trestle with masonry and deck span	392 90
Osman, Ill.—Bridge No. 1348, renewed pile trestle with concrete masonry abutments and solid floor	740 15
Pontiac, Ill.—Bridge No. 1705, renewed pile trestle and through iron truss with two old trusses from Custer Park Bridge	4,723 48
Bruce, Ill.—Bridge No. 1526, renewed pile trestle and steel span with wood and old span from Custer Park bridge	3,983 33
Stonington, Ill.—Bridge No. 730, renewed pile trestle with concrete masonry abutments and solid floor construction	40 97
Poag, Ill.—Bridge No. 890, renewed pile trestle with masonry abutments and pier, and two fifty-foot through girders (unfinished)	2,290 64
Elm Point, Mo.—Bridge No. 69, renewed truss bridge with through steel girder and concrete abutments	2,512 57
St. Peters, Mo.—Bridge No. 84, renewed truss bridge with through steel girder with concrete abutments	1,984 53
Salisbury, Mo.—Bridge No. 449, renewed truss bridge with steel truss bridge	411 77
Keytesville, Mo.—Bridge No. 471, renewed truss bridge with steel truss bridge	923 76
Camden, Mo.—Bridge No. 567, renewed truss bridge with steel deck girder	435 75
South Liberty, Mo.—Bridge No. 604, renewed truss bridge with steel through girder	462 55
Total	$ 43,606 61

Trestles shortened, replaced with iron pipe, stone arches, box culverts, filled, wood culverts replaced with trestles, end walls on iron pipe, etc	$133,719 49

Steel Bridges Repaired and Strengthened—	
Huntington, Ind.—Bridge No. 377, renewed deck	$ 324 41
Huntington, Ind.—Bridge No. 378, renewed deck	633 21
Wea, Ind.—Bridge No. 607, renewed approaches and deck	1,532 74
New Haven, Ind.—Renewed highway bridge on account of old bridge washed out, due to changing channel of Six Mile Creek when the Ft. Wayne & Detroit line was built	3,642 16
Custer Park, Ill.—Bridge No. 1145, repainted through truss	389 09
Lodge, Ill.—Bridge No. 1392, repainted deck girder	23 13
Lodge, Ill.—Bridge No. 1393, repainted through girder	26 99
Lodge, Ill.—Bridge No. 1394, repainted deck girder	21 63
Mansfield, Ill.—Bridge No. 1362, repainted deck girder	24 06
Monticello, Ill.—Bridge No. 1401, repainted deck girder	117 80
Monticello, Ill.—Bridge No. 1402, repainted through girder	16 10
Effingham, Ill.—Bridge No. 1589, making general repairs	718 76
Sadorus, Ill.—Bridge No. 63, repainted through girder	49 53
Arnold, Ill.—Bridge No. 231, repaired and repointed masonry and sloped off bridge seats with concrete	251 23
Valley City, Ill.—Bridge No. 508, renewed protection piling	4,754 33
Meredosia, Ill.—Bridge No. 280, renewed protection piling	3,714 81
St. Charles, Mo,—Bridge No. 59, renewed deck on approaches	2,392 68
St. Charles, Mo.—Bridge No. 59, renewed deck on spans	122 32
St. Charles, Mo.—Bridge No. 59, painted approaches	1,068 52
St. Charles, Mo.—Bridge No. 59, rip-rapped each approach	637 27
St. Charles, Mo.—Bridge No. 59, Trussed stringers in approaches	256 29
Gilmore, Mo.—Bridge No. 116, renewed deck	1,383 85
Total	$ 22,100 91
New Steel Bridges to Replace Old Steel Bridges—	
St. Louis, Mo.—Bridge No. 11, renewed 45 ft. iron girder with 80 ft. steel girder, concrete abutments and solid floor	$ 19,109 04
Neeley's, Ill.—Bridge No. 275, replaced iron stringers on masonry with 35 ft. through steel girder (unfinished)	940 84
Total	$ 20,049 88
Improving Line and Reducing Grades—	
Custer Park, Ill.—Changed line and grade	$ 15,756 30
Monticello, Ill.—Changed line and grade	403 50
Carpenter, Ill.—Changed line and grade	1,161 09
Camden, Mo.—Changed line	8,984 58
Edwardsville, Ill.—Change of line and grade	1,801 69
Total	$ 28,107 16
For protection against Missouri River and Grand River at Harlem, Camden, Randolph, Hulls Point, Missouri City, Brunswick, Bridge 825 Western Division, change of river channel at McCurry, Mo., and against Illinois River at Meredosia, Ill	$ 8,802 90

ADDITIONS.

Second, Third, Yard, Side and Spur Tracks to Various Industries—

Buffalo Division	6.9	miles...	$ 68,040 08
Detroit Division	2.5	miles...	14,821 60
Eastern Division	4.0	miles...	23,456 72
Middle Division	15.2	miles...	69,891 99
Chicago Terminal (Landers yard)	4.6	miles...	37,235 07
E. St. Louis Terminal (Brooklyn yard)	5.3	miles...	46,222 73
St. Louis Terminal Facilities:			
Compton Ave. to Euclid Ave., Third track	1.85	miles...	19,998 73
Boyle Ave., Pass. Car storage yard	1.68	miles...	15,176 41
Boyle Ave., Frt. Car storage yard	1.44	miles...	1 60
Olive Road, new tracks	0.6	miles...	940 04
St. Louis Division	2.3	miles...	18,174 22
Western Division	1.3	miles...	6,090 01
Second Track—Litchfield to Worden	11.6	miles...	203,315 54
Second Track—Poag to Granite City	10.9	miles...	90,850 64
Second Track—Union Ave. to Page Ave	2.55	miles...	37,964 32
Total	72.72	miles...	$652,179 70

Interlocking Plants, Wabash Proportion—

Sulu, Ill.—Interlocking plant erected	$ 409 29
Knights, Ill.—Interlocking plant erected	2,143 83
Detroit, Mich.—Interlocking plant erected with P. M. R. R., D. U. Ry. crossing	1,694 56
Detroit, Mich.—Reconstructed Beaubien street interlocking plant, D. U. Ry. crossing	388 39
Delray, Mich.—Additions to P. M. R. R. interlocking tower, Wabash double track connection	1,632 39
Romulus, Mich.—Rebuilt interlocking tower, P. M. R. R. crossing	844 83
Raisin Center, Mich.—Rebuilt interlocking tower, L. S. & M. S. crossing	882 82
New Paris, Ind.—Rebuilt interlocking tower C. C. C. & St. L. crossing	958 70
Cecil, O.—Interlocking plant erected with Cincinnati Northern	1,539 80
Champaign, Ill.—Interlocking plant erected with I. C. R. R.	1,770 91
St. Louis, Mo.—Interlocking plant North Market street with Terminal R. R. Assn.	5,696 30
St. Louis, Mo.—Interlocking plant erected at Page avenue, Terminal R. R. Assn. connection	703 16
Willow Creek, Ind.—Rebuilt interlocking plant	1,701 39
Total	$ 20,366 35

New Buildings, or Additions to Passenger and Freight Stations, Shops and Other Buildings, etc.—

Detroit, Mich.—Warehouse scales 12th street freight house	$ 513 47
Detroit, Mich.—Warehouse scales Russell street freight house	146 94
Detroit, Mich.—Addition to platform, Russell street freight house	126 02
Delray, Mich.—Machinery for turning drawbridge	4,738 01
Romulus, Mich.—New stock pens	200 89
Romulus, Mich.—Extension to freight room	260 91
Britton, Mich.—New watch tower and gates	1,015 54
Franklin, Ohio—New transfer house and platform (unfinished)	586 05
Montpelier, Ohio—New deep well	1,174 38
Montpelier, Ohio—Water line deep well to tank	252 00
Montpelier, Ohio—Changing old freight house into restaurant, baggage and express rooms	512 74
Montpelier, Ohio—Moving old freight house from Millersberg and converting same into freight house and office building	1,589 58
Montpelier, Ohio.—New freight platform	295 31
Montpelier, Ohio—New transfer platform	127 80
Montpelier, Ohio—New engine terminal	12,945 63
Ashley, Ind.—New cinder pit	1,833 18
North Liberty, Ind.—New water plant	319 29
North Liberty, Ind.—New engine house	1,457 67
North Liberty, Ind.—New turntable	1,847 47
North Liberty, Ind.—New cinder pit	347 18
North Liberty, Ind.—Drainage, account improvements	159 44
Toledo, Ohio—New bridge over Toledo Urban and Interurban R. R. (unfinished)	2,228 85
West Unity, O.—New stock scales	212 20
Ft. Wayne, Ind.—Addition to brick boiler room	256 39
Ft. Wayne, Ind.—New boiler and foundation for shops	505 09
Huntington, Ind.—New water plant	2,670 66
Hartman, Ind.—New water plant	2,806 86
Peru, Ind.—Extension on baggage room for lunch room and express office	977 58
Peru, Ind.—Extension of storeroom platform	301 17
Peru, Ind.—New water tank	2,343 82
Tilton, Ill.—New elevated sand house	817 48
Defiance, O.—New standpipe and water mains	885 09
Ft. Wayne, Ind.—New bridge No. 326½, over Ft. Wayne Van Wert, & Lima Traction line (unfinished)	275 30
Worth, Ill.—Erected unloading platform for Worth Jockey Club	642 65
Worth, Ill.—Erected Ellis freight bumping post at end of track on "Y" at Worth race track	78 26
Brisbane, Ill.—Building block tower at lap siding	9 00
Forrest, Ill.—Building block tower, Forrest yard	9 00
Lotus, Ill.—Built new brick platform	57 25
Mansfield, Ill.—Erected crossing gates	249 88
Monticello, Ill.—Erected crossing gates at Main street	440 88

Sulu, Ill.—Built block tower at lap siding	$ 9 00
Bement, Ill.—Extended north end of passenger platform 140 feet along 7th District	204 59
Decatur, Ill.—Addition to passenger station	9,057 03
Decatur, Ill.—Erected scrap iron shed and platform	2,035 94
Decatur, Ill.—Built addition to Y. M. C. A. building	577 00
Decatur, Ill.—Setting two new boilers for car department heater plant	1,022 84
Decatur, Ill.—Built new frame building for motor, for charging electric lighted equipment	709 63
Decatur, Ill.—Built addition to car department boiler house for air compressor	167 25
Fairmount, Ill.—Erected Chicago crossing signal at Main and Park streets	453 08
Windsor, Ill.—Erected new standard No. 3 depot	1,243 56
Knights, Ill.—Built new block tower at lap siding	179 52
Blue Mound, Ill.—Built new No. 2 depot to replace one destroyed by fire	2,257 28
Litchfield, Ill.—Erected 12 inch Poage standpipe to replace the old south standpipe, size 8 inch Poage	790 44
Staunton, Ill.—Erected two 12 inch Poage standpipes	1,126 68
Worden, Ill.—Erected one Chicago crossing signal at Wall and Kell streets	472 34
Edwardsville Junction, Ill.—Erected one Chicago crossing signal at Alton road crossing	289 00
Edwardsville Junction, Ill.—Building new depot and platform (unfinished)	4,355 02
Edwardsville, Ill.—Erected one Chicago crossing signal at St. Louis and Vandalia streets	448 85
Edwardsville, Ill.—Erected 3 inch wrought iron standpipe and put in connections on account of water plant	126 70
East St. Louis, Ill.—Put up Ellis bumping posts at outbound freight house tracks Nos. 9, 10 and 11	194 46
Harristown, Ill.—Bought ground and built new stock pens and chute	675 00
Niantic, Ill.—Built new stock pens and chute	175 00
Springfield, Ill.—Built new paint shop	838 92
Springfield, Ill.—Built extension to M. P. & M. store room	1,080 77
Springfield, Ill.—Built new tin and pipe shop	707 37
Springfield, Ill.—Remodeled passenger station for Division officials	3,140 26
Curran, Ill.—Built new No. 3 depot and platform	1,320 11
Curran, Ill.—Put six ton scale in stock pen	78 12
Berlin, Ill.—Built concrete dam at overflow Berlin pond	281 78
Kinderhook, Ill.—Digging well as test for water supply (unfinished)	174 59
12th District—New snow fences on sections 145, 148 and 149	485 12
St. Louis, Mo.—Engine terminal Vandeventer avenue	56,625 71
St. Louis, Mo.—Electric block signal system, 23d street to Page avenue	9,354 66
St. Louis, Mo.—Vandeventer avenue, new watch house, bridge No. 9	70 02
St. Louis, Mo.—Ewing avenue, new crossing gates	190 45
St. Louis, Mo.—Compton avenue, new crossing gates	184 99

St. Louis, Mo.—Theresa avenue, new crossing gates	$ 245 88
St. Louis, Mo.—Spring avenue, new crossing gates	235 00
St. Louis, Mo.—Boyle avenue, new crossing gates	396 34
St. Louis, Mo.—Newstead avenue, new crossing gates	396 34
St. Louis, Mo.—Lindell avenue, new crossing gates	239 00
St. Louis, Mo.—Maple avenue, new crossing gates	395 30
St. Louis, Mo.—Mullanphy street, new crossing gates	346 00
St. Louis, Mo.—Angelica street, new crossing gates	346 00
St. Louis, Mo.—Clark avenue, new crossing gates	346 00
St. Louis, Mo.—St. Louis avenue, new crossing gates	323 34
St. Louis, Mo.—Wright street, new crossing gates	323 34
St. Louis, Mo.—Palm street, new crossing gates	323 34
St. Louis, Mo.—Branch street, new crossing gates	323 33
St. Louis, Mo.—Dock street, new crossing gates	323 33
St. Louis, Mo.—Buchanan street, new crossing gates	323 33
St. Louis, Mo.—Angelrodt street, new crossing gates	323 33
St. Louis, Mo.—Ferry street, new crossing gates	323 33
St. Louis, Mo.—Boyle avenue, car repairers' building and platform	655 50
St. Louis, Mo.—Boyle avenue, air, water and steam pipes	6,595 94
St. Louis, Mo.—Boyle avenue, new tower house	7 68
St. Louis, Mo.—Union avenue, new tower house	21 35
St. Louis, Mo.—Union avenue, new coal and lamp house	50 62
St. Louis, Mo.—Forsyth Jct., new tower house	23 98
St. Louis, Mo.—Forsyth Jct., new coal and lamp house	24[illegible] 34
St. Louis, Mo.—Page avenue, new tower house	37 96
St. Louis, Mo.—Page avenue, new coal and lamp house	211 60
Moberly, Mo.—New car inspectors' building	305 81
Moberly, Mo.—Storage platform and derrick	430 89
Moulton, Ia.—New office building for trainmaster	581 12
Brunswick, Mo.—Steam heat in office building	256 21
Chillicothe, Mo.—New tank and stand pipe	1,575 68
Gallatin, Mo.—New coal chutes and sand house	5,824 12
Maryville, Mo.—New brick walk under bridge No. 1062	16 50
Luther, Mo.—Extending water service for washing stock cars	698 41
Moberly, Mo.—New brick boiler room at round house	3,537 48
Moberly, Mo.—New brick pump house	1,261 19
Moberly, Mo.—New coal chutes	14,835 77
Moberly, Mo.—Addition to paint shop, Car Dept	850 04
Moberly, Mo.—Addition to tin shop, Car Dept	217 11
Moberly, Mo.—Addition to iron shed, Store Dept	533 55
Moberly, Mo.—New transfer table and pit (unfinished)	2,944 03
Carrollton, Mo.—New brick platform	852 28
Kansas City, Mo.—New scales in freight house	187 46
Kansas City, Mo.—New brick floor in freight house	493 39
Chillicothe, Mo.—New brick platform	974 22
Shenandoah, Ia.—New coal chutes	2,414 85
Bement, Ill.—Crossing-bells, erected at Sangamon, Morgan and Champaign Streets	224 67
Hanpibal, Mo.—Crossing alarm bells at 3d and Lindell Av.	335 27
Norborne, Mo.—Crossing alarm bells installed	315 64
Brooklyn, Ill.—Advance signal erected	158 73
Total	$200,522 39

SUMMARY

OF

Extraordinary Repairs and Renewals, Improvements and Additions.

Repairs and Renewals.

Bridges, Wooden	$ 64,275 33
Wharves, Docks and Landings	9,174 86
Passenger and Freight Stations, Shops and other Buildings, etc	83,584 74
Water and Fuel Stations	18,200 61
Renewals of Tracks 23d St. to Page Ave., St. Louis, Mo	3,498 72
Total	$178,734 26

Improvements.

Steel Bridges (New) to Replace Wooden Bridges	$ 43,606 61
Trestles Shortened, Replaced with Iron Pipe, Filled, Etc.	133,719 49
Steel Bridges, Repaired and Strengthened	22,100 91
New Steel Bridges to Replace Old Steel Bridges	20,049 88
Improving Line and Reducing Grades	28,107 16
Protection against Illinois, Missouri and Des Moines Rivers	8,802 90
Total	$256,386 95

Additions.

Second Track	$332,130 50
Third, Yard, Side and Spur Tracks to Various Industries	320,049 20
Interlocking Plants, Wabash Proportion	20,366 35
Passenger and Freight Stations, Shops and other Buildings, etc	200,522 39
Total	$873,068 44

Totals	Repairs and Renewals	$178,734 26
	Improvements	256,386 95
	Additions	873,068 44
Grand Total		$1,308,189 65

In addition to the above, the following amounts were expended on the Buffalo Division for extraordinary renewals and improvements, the Wabash paying its proportion of this sum on a wheelage basis:

Depots, Buildings, etc	$ 12,418 45
Docks and Slip Tables—Repairs and Renewals	3,166 10
Additions to Shops, Round-houses, etc	13,031 94
Wood, Water and Coal Stations—New and Rebuilt	19,143 99
Steel Bridges Repaired and Renewed	43,141 27
Miscellaneous	4,623 93
Total	$ 95,525 68

Included in the above item of steel bridges repaired and renewed are the following:

Thamesville,	Thames River	$16,908 99
	Decews Creek	19,396 68
Vosburg,	McGregor's Creek	1,793 01
Puce,	Pike Creek	5,042 59
Total		$43,141 27

OMAHA DIVISION.

Miscellaneous Work—	
No. cross ties put in track	46,971
No. miles track ballasted with stone	23.09
No. miles fence built	24.85

SUMMARY.

Miscellaneous Work	$46,755 78

RECAPITULATION.

Extraordinary Repairs and Renewals, Improvements and Additions	$1,308,189 65
Buffalo Division, Extraordinary Renewals and Improvements	95,525 68
Reconstruction Omaha Division	46,755 78
Grand Total	$1,450,471 11

TRANSPORTATION DEPARTMENT.

FREIGHT.	1902.	1903.	1904.	1905.
Total Loaded Cars moved for year	1,738,098	1,830,621	1,881,101	1,917,557
Total Empty Cars moved for year	776,474	793,889	803,553	886,475
Total Loaded and Empty Cars moved for year	2,514,572	2,624,510	2,684,654	2,804,032
Average Loaded Cars moved per day	4,725	5,015	5,153	5,254
Average Empty Cars moved per day	2,127	2,175	2,202	2,428
Average Loaded and Empty Cars moved per day	6,889	7,190	7,355	7,682
Total Freight Train Mileage for year	6,841,121	7,284,158	7,598,295	7,831,004
Average Freight Train Mileage per day	18,743	19,957	20,817	21,455
Total number Freight Trains for year	80,303	86,134	91,251	94,720
Average number Freight Trains per day	220	236	250	260
Average number Miles run per train, per day	85.2	84.6	83.3	82.5
Average number Loaded Cars moved per train mile	19.0	18.6	18.4	18.4
Average number Empty Cars moved per train mile	7.4	7.2	6.9	7.7
Average number Loaded and Empty Cars moved per train mile	26.4	25.8	25.4	26.0

FREIGHT—Cont.	1902.	1903.	1904.	1905.
Average number Cars handled per train mile, reduced to loaded car basis	23.5	22.9	22.6	22.9
Mileage made by all Loaded Cars for year	129,714,750	135,424,005	140,074,003	144,198,504
Mileage made by all Empty Cars for year	50,721,670	52,573,824	52,644,523	59,121,794
Grand Total of Car Mileage for year	180,436,420	187,997,829	192,718,526	203,320,298
Foreign Loaded Car Mileage for year	67,218,623	75,534,916	88,221,505	86,246,968
Foreign Empty Car Mileage for year	23,375,135	26,439,131	27,065,112	29,513,045
Total Foreign Car Mileage for year	90,593,758	101,974,047	115,286,617	115,760,013
Wabash Loaded Car Mileage for year	62,496,122	59,889,089	51,852,498	57,951,536
Wabash Empty Car Mileage for year	27,346,535	26,134,693	25,579,411	29,608,749
Total Wabash Car Mileage for year	89,842,657	86,023,782	77,431,909	87,560,285
Number of Wabash Cars in Service, exclusive of work trains	16,460	16,089	16,039	17,625
Average number of Wabash Cars on other roads per day,	7,734	7,834	7,624	7,455
Miles run per Car per day, Wabash Cars on Wabash R. R.	28.2	28.5	25.2	23.6
Average number of Foreign Cars on Wabash R. R. per day,	5,943	8,562	9,179	8,836
Average Miles run by Foreign Cars on Wabash R. R. per Car per day,	41.8	32.6	34.4	35.9

PASSENGER.	1903.	1903.	1904.	1905.
Total Passenger Train Mileage for year.....	7,691,050	7,715,162	8,100,348	9,607,066
Total number Passenger Trains run for year.....	81,990	82,549	86,625	96,379
Average number Passenger Trains run per day.....	225	226	237	264
Average number Miles per Train per day.....	93.8	93.5	93.5	99.7
Average number Miles all Trains per day	21,105	21,138	22,193	26,321
Total Mileage Wabash, Baggage, Mail and Express Car. for year.....	8,425,552	8,691,319	8,746,068	10,036,499
Total Mileage Wabash, Coaches and Chair Cars for year.....	16,807,827	16,670,309	17,527,348	21,245,835
Total Mileage Sleeping Cars for year	9,188,827	9,234,387	9,883,877	12,387,349
Total Mileage Wabash Dining Cars for year	1,591,510	1,443,536	1,423,277	1,757,772
Total Mileage of all Cars for year.....	37,451,010	37,791,983	39,430,771	48,979,207
Average number of Cars of all classes handled for year	400,040	404,055	421,210	491,290
Average number of Cars of all classes handled per day	1,096	1,107	1,154	1,346
Average number of Cars per train.....	4.87	4.90	4.87	5.10

MOTIVE POWER DEPARTMENT.

The total amount expended for repairs of engines was $1,626,093.38, equal to $3,079.72 per engine for 528 engines, the average number on hand during the year.

The following statement will show the large amount of repair work done on engines, and the general character of the repairs:

MOTIVE POWER AND MACHINERY.

LOCOMOTIVE EQUIPMENT.

	1903-1904.	1904-1905.	Increase.	Decrease.
Locomotives on hand July 1st...	488	528	40	.....
Bought and built during year...	50	67	17	.....
Sold and scrapped during year	10	14	4	.....
On hand June 30th.	528	581	53	.....
REPAIRS.				
Locomotives receiving general repairs.....	340	370	30	.....
Locomotives receiving heavy repairs.....	299	324	25	.....
Locomotives receiving light repairs.....	745	819	74	.....
New Driving and Truck Axles..	1048	1011	.....	37
Boilers, general repairs.....	103	132	29	.....
Sets Air Brakes	1	2	1	.....
New Cylinders.....	55	45	.....	10
New Cabs.....	44	65	21	.....
Fire-boxes, new	12	21	9	.....
Fire-boxes repaired	546	509	.....	37
Sets Flues, new.....	47	32	.....	15
Sets Flues, reset.....	381	420	39	.....
New Engine Frames.....	3	10	7	.....
New Main and Side Rods.....	78	132	54	.....
Tires, new	424	953	529	.....
New Engine and Tender Trucks	60	41	.....	19
New Tanks.....	6	.....	.....	6
New Tank Frames	50	41	.....	9
New Driving Wheel Centers.....	80	151	71	.....
New Engine, Truck and Tender Wheels	4,588	4,528	.....	60

NOTE.—The 581 engines in service June 30, 1905, had a Tractive Power of 11,759,700 lbs. June 30, 1896, there were 412 engines with Tractive Power of 6,334,915 lbs., showing an increase of 38% in number and an increase of 86% in power of engines.

DISTRIBUTION OF ENGINE MILEAGE.

	1903-1904.	1904-1905.	Increase.	Decrease.
Freight Train Mileage	7,598,295	7,831,004	232,709	
Frt. Double Headers, Pushers and Lights	513,216	525,453	12,237	
Passenger Train Mileage	8,100,348	9,607,066	1,506,718	
Pass. Lights and Double Headers.	162,677	277,664	114,987	
Switching	3,904,205	4,098,945	194,740	
Miscellaneous, Work Trains, Pay Trains, etc...	988,223	606,105		382,118
Total	21,266,964	22,946,237	1,679,273	

EXPENSE OF OPERATING LOCOMOTIVES.

	1903-1904.	1904-1905.	Increase.
Repairs { Labor	$ 829,903 42	$ 956,187 52	$126,284 10
Repairs { Material	678,710 72	669,905 86	8,804 86*
Stores	72,812 49	75,063 77	2,251 28
Fuel (Coal and Wood)	1,871,850 23	1,975,226 52	103,376 29
Engineers and Firemen	1,360,584 03	1,435,741 15	75,157 12
Wiping and Dispatching	218,526 40	225,782 25	7,255 85
Total	$5,032,387 29	$5,337,907 07	$305,519 78

COST PER 100 MILES RUN.

	1903-1904.	1904-1905.	Decrease.
For Repairs	$ 7 06	$ 7 06	
Stores	0 34	0 33	$ 0 01
Fuel	8 76	8 58	0 18
Engineers and Firemen	6 36	6 24	0 12
Wiping and Dispatching	1 02	0 98	0 04
Total	$23 54	$23 19	$ 0 35

*Decrease.

	1903-1904.	1904-1905.
Total engine mileage	21,378,516	23,013,959
Average mileage per engine in service for year	49,696	46,399
Average monthly mileage per engine in service	4,141	3,866
Tons of coal consumed	1,263,804	1,368,316
Average cost per ton of coal on tender (cost of handling included)	$1 48	$1 44
Average miles run to one ton of coal	16.9	16.8

NOTE.—Cost of stores and fuel includes work train expense.

Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

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FUEL DEPARTMENT.

	1903-1904.		1904-1905.		Increase.		Decrease.	
	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.	Tons.	Cost.
Coal for Passenger Engines	362,133	$ 516,085 27	448,904	$ 612,334 05	86,771	$ 96,248 18		
Coal for Freight Engines	649,359	907,944 41	584,787	984,106 76	85,528	26,761 35		
Coal for Switch and Work Engines	252,412	342,785 77	234,625	320,056 50			17,787	$22,730 27
Wood for Engines		18,758 99		19,936 98		1,177 94		
Total Coal and Wood for Engines	1,263,904	$1,784,975 04	1,368,316	$1,886,433 24	104,512	$101,458 20		
Average cost per ton		$1.41		$1.38				03
Average cost per ton for handling		.07		.06				01
Average cost per ton on Tender		1.48		1.44				04
Coal for Stationary Engines at Shops	52,398	$52,114 43	61,907	$ 54,899 35	9,604	$ 2,384 72		
Coal for Pumping Engines	13,275	7,078 54	15,353	7,444 49	2,078	365 95		
Coal for Stations, etc	9,995	13,431 55	12,894	15,643 27	2,899	2,211 72		
Coal for Ballast Burning	13,661	11,135 59					13,661	$11,135 59
Total Bituminous Coals	1,353,128	$1,868,735 35	1,458,560	$1,963,920 35	105,432	$ 95,185 00		
Average cost per ton, all Bituminous Coals		$1.37		$1.35				02
Anthracite Coal	332	$ 2,045 73	372	$1,750 52			10	$ 295 21
Furnace Coal	2,396	4,658 05	2,792	5,180 19	396	$ 502 14		
Smithing Coal	1,979	7,402 86	2,107	5,790 45	128			
Charcoal	23,363 bu.	2,379 37	27,583 bu.	2,174 47	4,220 bu.			1,612 41
Coke	1,077	6,156 20	1,272	5,167 32	195 tons			204 90
Fuel Oil	209,138 gal.	7,685 55	215,538 gal.	5,925 76	6,400 gal.			988 82
								1,959 79

Quality of Bituminous Coals	OHIO COAL		ILLINOIS COAL				MISSOURI COAL		
	Lump.	Mine Run.	Lump.	Mine Run.	Screenings.	Slack.	Lump.	Mine Run.	Screenings.
Tons vouchered, 1903-1904	8,655	181,532	168,693	692,584	85,288	9,732	253,996	4,272	28,445
Tons vouchered, 1904-1905	2,626	329,790	183,667	786,318	80,227	4,830	185,852	342	4,945

CAR DEPARTMENT.

The increase in expenses of this department for the year ending June 30th, 1905, can to a great extent be attributed to the fact that during the year 3,045 cars of different classes were sent to the shops of the American Car & Foundry Company for repair or to be rebuilt, and the entire cost of such repairs, $468,121.57, is included in operating expenses.

The cost of application of air brakes to freight cars, vestibules and gas to passenger cars and payments on account of equipment, passenger and freight, aggregating $705,074.57, was also charged to operating expenses.

Stationary vestibules applied to one baggage car at a cost of $271.76. Total cars now vestibuled—318.

We equipped three cars with Pintsch gas, at a cost of $791.31, making a total of 257 cars so equipped.

Air brakes were applied to 112 freight cars, at a cost of $4,230.85, making a total of 16,213 cars, or about 89 per cent of all of our freight cars, so equipped.

CAR EQUIPMENT.

	On hand July 1, 1904.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1905.	On hand July 1, 1889.
PASSENGER.					
Official	5	.....	.....	5	4
Pay	2	.....	.....	2	2
Air-Brake Instruction	1	.....	.....	1	.....
Inspection	1	.....	.....	1	.....
Dining	9	2	.....	11	5
Parlor	6	3	1	8	.....
Café	6	.....	.....	6	.....
Postal	33	1	.....	34	19
Baggage	70	2	2	70	64
Baggage and Mail	13	.....	.....	13	15
Baggage, Passenger and Mail	3	.....	.....	3	6
Passenger and Mail	5	.....	.....	5	.....
Combination	55	5	3	57	22
Coaches	165	16	6	175	108
Chair	58	3	2	59	35
Pacific Express	5	.....	.....	5	5
Total Passenger	437	32	14	455	285
FREIGHT.					
Box	9,287	78	305	9,060	8,075
Stock	412	.....	19	393	1,471
Coal and Flat	7,165	2	113	7,054	3,439
Furniture and Rack	300	151	6	445	33
Fruit	146	.....	.....	146	50
Refrigerator	100	.....	.....	100	100
Cinder and Stone	202	39	14	227	129
Ballast and Convertible	132	.....	5	127	.....
Company Service	296	44	13	327	36
Derricks	12	1	.....	13	12
Pile Drivers and P. D. Derricks	6	.....	.....	6	7
Cable	8	.....	.....	8	1
Ice	8	.....	.....	8	4
Caboose Box	6	1	.....	7	.....
Caboose Standard	252	23	11	264	212
Total Freight	18,332	339	486	18,185	13,569
Total Passenger	437	32	14	455	285
Total Car Equipment	18,769	371	500	18,640	13,854
Total Frt. Car Capacity, in Tons	554,160	.....	.....	552,210	235,074

CARS REPAIRED.

	Passenger.	Freight.	Total.
Cars Receiving Light Repairs	3,526	182,183	185,709
Cars Receiving Heavy Repairs	122	2,088	2,210
Cars Receiving General Repairs	84	634	718
Cars Rebuilt	13	402	415
Total	3,745	185,307	189,052
New Wheels Applied, Cast	1,645	17,454	19,099
New Wheels Applied, Steel	896		896
Total New Wheels Applied	2,541	17,454	19,995

CAR AND ENGINE TRUSTS.

June 30th, 1905 the car and engine trust notes outstanding were as follows:

American Car and Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 31 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	196,210 16
American Car and Foundry Company, 500 Coal Cars, Contract of March 9th, 1903, 38 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	241,899 64
American Car and Foundry Company, 1,000 Coal Cars Contract of March 9th, 1903, 41 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	520,622 92
American Car and Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3rd, 1903, 22 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	55,572 00
American Car and Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 26 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	104,385 58
American Locomotive Company, 12 Passenger Locomotives, 7 notes outstanding (last one due November 10th, 1908), various amounts	162,439 20
Baldwin Locomotive Company, 38 Freight and Switch Locomotives, 14 notes outstanding (last one due November 17th, 1908), various amounts	447,419 02
American Car and Foundry Company, 150 Furniture Cars, Contract of January 28th, 1904, 46 notes outstanding (last one due April 19th, 1909), for 3,383.01 each	155,618 46
American Car and Foundry Company, 11 Passenger Cars, Contract of August 1st, 1904, 38 notes outstanding (last one due August 13th, 1908), for $2,543.59 each	$ 96,656 42
Total	$1,980,823 40

NOTE.—The above does not include the following bonds:

Gold Equipment Sinking Fund Bonds of 1901, amounting to $3,000,000.00, issued in March, 1901, for payment of Locomotives, Cars, and other rolling stock, bonds outstanding June 30th, 1905	$2,600,000 00	
Equipment Gold Bonds, Series A, amounting to $840,000.00, issued in May, 1904, for the payment of 67 New Locomotives under Equipment Agreement with Blair & Co., Series A, bonds outstanding June 30th, 1904	756,000.00	
Equipment Gold Bonds, Series B, amounting to $870,000.00 issued in November, 1904, for the payment of 999 Coal Cars under Equipment Agreement, Series B, with the Colonial Trust Co. of Pittsburg, bonds outstanding June 30th, 1905	826,000 00	
Total Equipment Bonds outstanding June 30th, 1905.		$4,182,000 00

In addition to the above, we have an operative contract with the American Car and Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1905, the sum of $86,337.12.

TELEGRAPH DEPARTMENT.

	1903-1904.	1904-1905
Total Number Miles of Road with Telegraph Lines	2,153	2,153
Total Number Miles of Wire assigned to this Company	7,178	7,192
Total Number Miles of Wire assigned to Telegraph Company	13,585	13,624
Total Number Miles Wire used jointly	747	747
Total Miles of Wire	21,510	21,563

By order of the Board of Directors.

Respectfully submitted,

J. C. OTTESON,

Secretary.

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From.	To.	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks. Miles.
Detroit	Delray			4.6	4.6			4.6	10.4	5.0	6.3	30.9
Delray	Montpelier	92.4			92.4	2.5			47.2			142.1
Montpelier	Clarke Junction	149.5			149.5				58.2			207.7
Clarke Junction	C. & W. I. Junction			17.6	17.6			17.6				35.2
Toledo	Milan			30.9	30.9			1.8				32.7
Toledo	Tilton (Div. Point)	252.4			252.4	8.8			144.7		19.3	425.2
Maumee	Montpelier	49.6			49.6				10.7			60.3
Montpelier	Butler	17.5			17.5				1.4			18.9
Butler	New Haven	25.7			25.7				8.3			34.0
Attica	Covington	14.8			14.8				2.3			17.1
Chili	Peru Junction								7.7			7.7
Tilton (Div. Point)	Decatur Depot	71.2			71.2	15.2			40.2			126.6
Decatur	E. St. Louis Frt. House	110.0			110.0	30.6			60.6			210.2
Bridge Junction	St. Louis Union Station			3.8	3.8			3.8				7.6
Sidney	Champaign	11.7			11.7				2.2			13.9
Edwardsville	Edwardsville Junction	2.2			2.2				1.2		1.0	4.4
Chicago	C. & W. Ind. Junction			8.0	8.0			8.0	15.2			31.2
C. & W. Ind. Junction	Effingham	205.0			205.0	10.4			75.0			290.4
Shumway	Altamont	9.4		0.9	10.2				0.3			10.6
Forrest	Fairbury Junction			6.2	6.2							6.2
Fairbury	Streator	30.9			30.9				3.7	2.0		36.6
Decatur Depot	Aladdin	136.9			136.9				44.5			181.4
Aladdin	North St. Hannibal		2.9		2.9				2.8			5.7
North St. Hannibal	Union Depot, Hannibal			0.4	0.4				0.5			0.9
Bluffs	Camp Point, End Track	39.8			39.8				4.3			44.1
Camp Point	Wabash Junction, Quincy			22.7	22.7				0.2			22.9
At Quincy		0.9			0.9				2.6			3.5
East Hannibal	Quincy			16.2	16.2						0.9	17.1
Clayton	Elvaston	34.5			34.5				1.7			36.2
Elvaston	Keokuk			7.8	7.8				1.0			8.8
Maysville	Pittsfield		6.2		6.2				1.1			7.3
Total		1254.4	9.1	119.1	1382.6	67.5		35.8	557.0	7.0	27.5	2077.4

NOTE—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles "owned" between Edwardsville Junction and Edwardsville Crossing, which is leased to the Illinois Terminal Railroad Company.

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LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks, Miles.
Tayon Av., 18th St.	23d St., St. Louis	0.4	.....	.....	0.4	.....	.....	.....	.....	.....	.....	0.4
Union Station, St. Louis	23d St., St. Louis	.....	.....	0.7	0.7	.....	.....	.....	.....	.....	.....	0.7
23d St., St. Louis	Moberly	148.7	.....	.....	148.7	6.2	.....	.....	87.8	.....	.....	242.7
Carr St., St. Louis	Ferguson	10.7	.....	.....	10.7	5.1	.....	.....	26.4	.....	.....	42.2
Franklin Av., St. Louis	N. Market St., St. Louis	.....	.....	.....	.....	.....	.....	.....	1.8	.....	.....	1.8
Carr St., St. Louis	Olive St., St. Louis	.....	.....	0.5	0.5	.....	.....	.....	.....	.....	0.4	0.9
Moberly	Ottumwa	131.3	.....	.....	131.3	.....	.....	.....	16.0	.....	.....	147.3
Moulton Junction	Albia	28.3	.....	.....	28.3	.....	.....	.....	2.6	.....	.....	30.9
Albia	Albia Connection	.....	.....	0.2	0.2	.....	.....	.....	.....	.....	0.6	0.8
Albia	Chesterfield	65.8	.....	.....	65.8	.....	.....	.....	9.4	.....	.....	75.2
Chesterfield	Des Moines	.....	.....	2.4	2.4	.....	.....	.....	.....	.....	.....	2.4
Centralia	Columbia	21.6	.....	.....	21.6	.....	.....	.....	1.2	.....	.....	22.8
Excello	Ardmore	.....	.....	.....	.....	.....	.....	.....	11.0	.....	.....	11.0
Maryville Junction	Empire Coal Co.	.....	.....	.....	.....	.....	.....	.....	13.0	.....	.....	13.0
Moberly	Hannibal	.....	.....	69.7	69.7	.....	.....	.....	.....	.....	8.5	78.2
Moberly	Harlem	125.9	.....	.....	125.9	.....	.....	.....	19.7	.....	.....	145.6
Harlem	Kansas City	.....	.....	1.5	1.5	.....	.....	.....	3.8	.....	.....	5.3
Wabash Yards	Bridge J'c't'n, Kansas City	.....	.....	.....	.....	.....	.....	0.4	.....	.....	.....	0.4
Brunswick Depot	Chillicothe	38.3	.....	.....	38.3	.....	.....	.....	3.4	.....	.....	41.7
Chillicothe	Pattonsburg	.....	41.4	.....	41.4	.....	.....	.....	.....	3.7	.....	45.1
Pattonsburg	Council Bluffs	143.7	.....	.....	143.7	.....	.....	.....	22.6	.....	.....	166.3
Wabash Connection	Council Bluffs, U. D.	.....	.....	0.3	0.3	.....	.....	.....	.....	.....	.....	0.3
Council Bluffs	Omaha	.....	.....	2.8	2.8	.....	.....	.....	.....	.....	.....	2.8
Salisbury	Glasgow	15.4	.....	.....	15.4	.....	.....	.....	0.9	.....	.....	16.3
Excelsior Springs Junction	Milwaukee Junction	9.7	.....	.....	9.7	.....	.....	.....	0.7	.....	.....	10.4
Total		729.8	41.4	78.1	859.3	11.3	.....	0.4	220.3	3.7	9.5	1104.5

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LINES EAST OF THE DETROIT RIVER.

DESCRIPTION OF LINES.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks, Miles.
Detroit	Black Rock	.....	.....	227.1	227.1	.....	.....	81.1	.....	.....	83.4	391.6
Welland Junction	Suspension Bridge	.....	.....	17.8	17.8	.....	.....	8.3	.....	.....	13.9	40.0
Suspension Bridge	Buffalo	.....	.....	25.6	25 6	.....	.....	5.0	.....	.....	9.1	39.7
Black Rock	International Junction	.....	.....	4.8	4.8	.....	.....	4.5	.....	.....	0.0	9.3
Total		.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	106.4	480.6

Note.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for the use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

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RECAPITULATION.

MILES OF ROAD OPERATED.

DESCRIPTION OF LINES.	1st Main Track.				2d Main Track.			Side Tracks.			Totals.
	Owned.	Leased.	Operated Under Joint Trackage.	Total Main Lines.	Second Main Track Owned.	Second Main Track Leased.	Second Main Joint Trackage.	Owned.	Leased.	Joint Trackage.	First Main, Second Main and Side Tracks, Miles.
Lines East of the Mississippi River	1284.4	9.1	119.1	1382.6	67.5	.....	35.8	557.0	7.0	27.5	2077.4
Lines West of the Mississippi River	739.8	41.4	78.1	859.3	11.3	.....	0.4	220.3	3.7	9 5	1104.5
Lines East of the Detroit River	.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	106.4	480.6
Total	1994.2	50.5	472.5	2517.2	78.8	.....	135.1	777.3	10.7	143.4	3662.5

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The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.2
In Indiana	357.4
In Illinois	745.2
In Missouri	654.0
In Iowa	208.9
In Nebraska	0.6
Total	2517.2

AUDITOR'S STATEMENTS.

A. Results of Operation.

B. Comparative Statement of Earnings and Expenses.

C. Income Account and Profit and Loss.

D. Financial Exhibit.

E. Comparative Statement of Operating Expenses.

F. Additions to Property.

G. Train and Mileage Statistics.

H. Mileage Statistics for Twenty-four Years.

I. Statement of Funded Debt and Interest Charges.

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A

THE WABASH RAILROAD COMPANY.

Results of Operation for the Year Ending June 30, 1905.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Gross Earnings	$23,023,626 63	$24,696,600 10
Operating Expenses	17,683,508 85	20,503,444 55
Net Earnings	$5,340,117 78	$4,193,155 55
Taxes	750,158 71	826,623 71
	$4,589,959 07	$3,366,531 84
Miscellaneous Receipts, Interest, Dividends, etc.	489,706 07	738,340 17
	$5,079,665 14	$4,104,872 01
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	817,205 62	759,872 56
Net Earnings from Operation	$4,262,459 52	$3,344,999 45
Additions to Property and other Charges, as per Analysis (2) below	1,050,745 64	1,335,799 67
Net Earnings applicable to Interest	$3,211,713 88	$2,009,199 78
Interest on Bonds	3,092,422 72	3,468,572 17
Surplus	$119,291 16	
Deficit		$1,459,372 39
Dividends on Preferred Debenture Bonds	105,000 00	
Net Surplus	$14,291 16	
Net Deficit		$1,459,372 39

1. Analysis of Joint Track Rentals and Miscellaneous Expenses.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Debit Joint Track Rentals	$964,438 33	$883,623 99
Credit " " "	151,840 71	136,921 51
	$812,797 62	$746,702 48
Miscellaneous Expenses	4,408 00	13,170 08
	$817,205 62	$759,872 56

2. Analysis of Additions to Property and Other Charges.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Additions to Property as per Table "F"	$861,445 10	$656,862 95
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	33,069 68	63,007 15
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00
Premium on Gold Equipment Sinking Fund Bonds	2,568 75	4,893 75
Payments for Equipment	323,661 11	511,005 82
	$1,050,745 64	$1,335,799 67

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B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1905.
July	$ 2,000,158 67	$ 2,082,154 11
August	2,121,426 47	2,480,786 25
September	2,239,688 37	2,609,682 10
October	2,206,296 69	2,543,166 61
November	1,818,076 77	2,057,814 48
December	1,881,094 15	2,032,401 62
January	1,771,413 70	1,832,061 81
February	1,522,943 23	1,575,771 50
March	1,750,630 45	1,872,461 85
April	1,794,760 97	1,795,289 49
May	1,889,106 88	1,860,201 30
June	2,028,040 28	1,934,838 98
Total Earnings	$23,023,626 63	$24,696,800 10
Freight	$14,064,656 81	$13,650,185 54
Passenger	7,045,525 29	8,917,828 77
Mail	830,928 22	837,088 28
Express	533,703 85	691,736 42
Miscellaneous	548,812 45	599,761 09
Total Earnings	$23,023,626 63	$24,696,800 10
Per cent of Freight Earnings to Total	61.09	55.27
" " Passenger " "	30.60	36.11
" " Mail " "	3.61	3.39
" " Express " "	2.32	2.80
" " Miscellaneous " "	2.38	2.43
Operating Expenses (not including Taxes)	$17,683,508 85	$20,503,444 55
Taxes	$750,158 71	$826,623 71
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	83.02
Net Earnings (Taxes not deducted)	$5,340,117 78	$4,193,155 55
Per cent of Net to Gross Earnings	23.19	16.98
Average number of miles operated	2,516.7	2,517.2
Average Earnings per mile	$9,148 34	$9,811 14
Average Expenses per mile	7,026 47	8,145 34
Net Earnings per mile	2,121 87	1,665 80

THE WABASH RAILROAD COMPANY.

Income Account—Year Ending June 30, 1905.

To Operating Expenses:—			By Earnings:—		
Maintenance of Way and Structures	$4,007,505 59		Freight Earnings	$13,650,185 54	
Maintenance of Equipment	4,575,148 43		Passenger "	8,917,828 77	
Conducting Transportation	11,255,672 39		Mail "	837,088 28	
General Expenses	665,118 14	$20,503,444 55	Express "	691,736 42	
Net Earnings carried down		4,193,155 55	Miscellaneous Earnings	599,761 09	$24,696,600 10
		$24,696,600 10			$24,696,600 10
To Interest on Bonds		$3,442,112 17	By Net Earnings brought down		$4,193,155 55
Rentals of Leased Lines		26,460 00	Sundry Amounts received for Rent of Tracks, etc		136,921 51
Rentals of Tracks, Bridges, etc.		883,623 99	Miscellaneous Receipts — Interest, Dividends, etc		738,340 17
Taxes		826,622 71	Balance carried to Profit and Loss		1,459,372 39
Additions to Property		656,862 95			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		100,000 00			
Premium on Gold Equipment Sinking Fund Bonds of 1901		4,898 75			
Payments for Equipment		511,005 82			
Sundry Accounts		76,207 23			
		$6,527,789 62			$6,527,789 62

Profit and Loss Account—Year Ending June 30, 1905.

To Expenses of Compton Case	$ 2,845 48	By Balance to credit Profit and Loss Account, June 30, 1904, brought forward	$1,094,307 54
Discount on sale of $7,000,000.00:—		Chicago & Western Indiana R. R. Sinking Fund Payments, July 1, 1904, to June 30, 1905	72,267 02
Wabash R. R. Temporary 4½% Gold Notes	243,500 00	Capital Stock, Des Moines Union Ry., Co	1 00
Subscription to Louisiana Purchase Exposition	65,000 00	Capital Stock, Des Moines & St. Louis R. R. Co	1 00
State of Michigan, Fee for increase of Capital Stock	25,000 00	For amounts expended for New Terminals in Quincy, and for New Yards and Improvements at Landers, and transferred to debit of Profit and Loss Account.	
State of Ohio, Fee for increase of Capital Stock	50,000 00	These expenditures are now credited to Profit and Loss and charged to following accounts:	
State of Indiana, Fee for increase of Capital Stock	50,000 00	Cost of Terminals in Quincy	271,989 11
State of Illinois, Fee for increase of Capital Stock	50,001 00	Cost of Landers Yard and Improvements	21,733 43
State of Missouri, Fee for increase of Capital Stock	25,000 00	Balance to debit Profit and Loss June 30, 1905	515,419 77
Balance brought down from Income Account, June 30, 1905	1,459,372 39		
	$1,975,718 87		$1,975,718 87

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D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1905.

(Per Condensed Balance Sheet.)

ASSETS.

	1904.	1905.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,235,419 26	$145,910,347 70	$674,928 34	
Supplies and Materials on Hand	1,641,051 84	1,419,258 30		221,793 54
Cash on Hand	1,183,777 23	1,554,539 73	371,762 50	
Investments in Stocks and Bonds	17,661,089 14	17,662,358 16	1,269 02	
Sundry Accounts Collectible—				
Due from Agents	343,238 54	375,731 67	32,493 13	
From U. S., Carrying Mails	209,096 67	209,513 80	417 13	
Pacific Express Co	105,315 00	63,963 65		41,351 35
Sundry Railroads and Individuals	1,546,386 94	700,180 13		846,206 81
Bills Receivable	1,875 00	1,975 00	100 00	
Advances Fast Freight Lines Account Working Fund	37,973 10	36,940 05		1,033 05
Advances on Account Real Estate in St. Louis	634,088 96	864 318 52	230,229 56	
Loans Receivable (2)		5,225,000 00	5,225 000 00	
Miscellaneous (3)	3,494,001 12	3,950,352 07	456,350 95	
Balance to Debit Profit and Loss		515,419 77	515,419 77	
	$172,192,302 90	$178,489,898 55	$6,297,595 65	

LIABILITIES.

	1904.	1905.	Increase.	Decrease.
Common Stock	$88,000,000 00	$88,000,000 00		
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (4)	100,513,000 00	108,887,000 00	8,374,000 00	
Interest Due	270,171 59	236,735 75		33,435 84
Interest Accrued, not Due	893,361 66	799,349 58	$105,987 92	
Sundry Accounts Payable—				
Vouchers and Pay Rolls	3,734,692 89	2,956,947 35		777,745 54
Sundry Railroads and Individuals	356,055 88	481,157 28	125,101 85	
Taxes Accrued, not due	388,377 00	444,134 11	55,257 11	
Hospital Account	5,988 20	5,538 20		449 0
Bills Payable—				
Notes Payable	414,000 00	250,000 00		164,000 00
Equipment Notes of Long Date	2,311,036 98	1,980,823 40		330,213 58
Proceeds sale Debenture Bonds, Series "B"	369,237 50	369,237 50		
Miscellaneous	41,576 18	78,975 43	37,399 25	
Balance to credit, Profit and Loss	1,094,307 54			1,094,307 54
	$172,192,302 90	$178,489,898 55	$6,297,595 65	

(1) Increase is due to cost of new Terminals in St. Louis and Quincy, $501,928.39 also issue of Omaha Division Bonds, $173,000.00; less Gold Equipment Sinking Fund Bonds retired, $100 000.00.

(2) This represents amounts advanced to the Toledo Central Station Ry. Company, $175,000.00, and The Wabash-Pittsburg Terminal Ry., $5,050,000.00.

(3) Increase is due to amounts carried in suspense on account of purchase of new equipment.

(4) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $569,000.00; Wabash R. R. Equipment Gold Bonds Series B, $870,000.00; Wabash R. R. temporary 4½% Gold Notes, $7,000,000.00; Omaha Division Bonds, $173,000.00; less Gold Equipment Sinking Fund Bonds, retired, $100,000.00. Equipment Gold Bonds, Series A, retired, $84,000.00; Equipment Gold Bonds Series, B, retired, $44,000.00.

E

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—YEAR ENDING JUNE 30, 1905.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Repairs of Roadway	$1,950,007 26	$1,781,858 90
Renewals of Rails	188,963 21	424,583 16
do of Ties	421 804 69	634,574 54
Repairs and Renewals of Bridges and Culverts	522,939 43	480,489 47
do do Fences, Road C., etc	114,243 16	117,273 71
do do Buildings and Fixtures	431,079 68	524,548 83
do do Docks and Wharves	7,354 43	12,265 72
do do Telegraph	51,332 82	26,211 10
Stationery and Printing	3,104 67	4,654 14
Other Expenses	774 66	896 00
Total	$3,681,608 00	$4,007,505 59

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 98,726 73	$ 100,829 20
Repairs and Renewals of Locomotives, Passenger	552,322 63	555,780 78
do do Locomotives, Freight	951,180 48	1,043,642 62
do do Passenger Cars	407,263 06	529,582 36
do do Freight Cars	1,024,446 09	1,851,850 70
do do Work Cars	40,214 16	71,451 01
do do Marine Equipment	34,671 67	7,125 20
do do Shop Machinery & Tools	223,079 13	228,836 73
Stationery and Printing	8,238 32	9,263 86
Other Expenses	152,859 43	176,835 94
Total	$3,473,001 68	$4,575,148 43

CONDUCTING TRANSPORTATION—PASSENGER.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 105,382 01	$ 122,726 71
Engine and Roundhouse Men	571,448 32	691,450 20
Fuel for Locomotives	560,368 37	652,111 68
Water Supply for Locomotives	33,589 08	39,848 15
Oil, Tallow and Waste, for Locomotives	25,013 88	28,211 27
Other Supplies for Locomotives	14,628 86	11,102 96
Train Service	393,433 15	473,433 17
Train Supplies and Expenses	280,704 74	390,812 73
Switchmen, Flagmen and Watchmen	192,380 06	204,001 06
Telegraph Expenses	111,993 97	138,669 77
Station Service	221,976 99	262,405 17
Station Supplies	31,463 58	53,790 19
Car Mileage—Balance	186,201 55	289,222 34
Hire of Equipment—Balance	4,768 91	8,076 06
Loss and Damage	22,857 37	28,805 32
Injuries to Persons	55,110 24	334,698 89
Clearing Wrecks	9,641 80	8,071 73
Operating Marine Equipment	8,773 49	9,967 38
Advertising	100,734 79	136,777 32
Outside Agencies	159,322 11	167,091 80
Rents for Tracks, Yards and Terminals	167,314 46	188,846 95
do of Buildings and Other Property	78,744 39	62,163 17
Stationery and Printing	60,749 75	62,044 11
Other Expenses	1,725 45	5,367 87
Total	$3,398,285 28	$4,396,610 92

E—*Continued.*

THE WABASH RAILROAD COMPANY.

OPERATING EXPENSES—*Continued.*

CONDUCTING TRANSPORTATION—FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Superintendence	$ 198,827 53	$ 213,552 09
Engine and Roundhouse Men	1,098,895 85	1,100,740 55
Fuel for Locomotives	1,300,622 15	1,308,719 23
Water Supply for Locomotives	70,239 24	74,772 97
Oil, Tallow and Waste for Locomotives	42,773 37	48,604 84
Other Supplies for Locomotives	27,557 72	21,556 06
Train Service	753,901 70	759,159 41
Train Supplies and Expenses	96,769 79	129,412 61
Switchmen, Flagmen and Watchmen	537,352 03	553,222 26
Telegraph Expenses	228,321 26	265,167 10
Station Service	1,036,625 50	1,096,230 43
Station Supplies	60,069 04	61,525 74
Car Mileage—Balance	267,757 91	278,796 15
Hire of Equipment—Balance	43,772 86	28,153 69
Loss and Damage	156,068 87	253,335 40
Injuries to Persons	73,197 45	73,719 79
Clearing Wrecks	32,349 83	33,761 44
Operating Marine Equipment	53,596 88	53,896 59
Advertising		50 00
Outside Agencies	363,853 55	389,236 97
Commissions	11,028 35	11,729 77
Stock Yards and Elevators		
Rents for Tracks, Yards and Terminals	44,163 73	24,745 84
do of Buildings and Other Property	18,515 25	19,251 84
Stationery and Printing	74,905 98	77,554 09
Other Expenses	2,377 17	3,646 44
Total	$6,580,343 51	$6,860,061 47

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Salaries of General Officers	$103,529 88	$117,496 10
do of Clerks and Attendants	230,873 42	254,867 97
General Office Expenses and Supplies	18,122 46	22,901 14
Insurance	50,522 58	61,618 37
Law Expenses	99,714 40	150,365 73
Stationery and Printing (General Offices)	31,981 97	32,860 92
Other Expenses	15,575 67	25,107 91
Total	$550,270 38	$665,118 14

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.
Maintenance of Way and Structures	$3,681,608 00	$4,007,505 59
Maintenance of Equipment	3,473,001 68	4,575,148 43
Conducting Transportation	9,978,628 79	11,255,672 29
General Expenses	550,270 38	665,118 14
Total Operating Expenses	$17,683,508 85	$20,503,444 55

F

THE WABASH RAILROAD COMPANY.

ADDITIONS TO PROPERTY—YEAR ENDING JUNE 30, 1905.

New Yards, Main, Side and Spur Tracks	$178,416 63
Double Track, Litchfield to Worden	203,315 54
Double Track, Poag to Bridge Junction	90,850 64
New Tracks, Terminals, etc., Twenty-third Street to Page Avenue, St. Louis	140,764 63
New Engine Terminal, Montpelier	13,934 56
Additions to Y. M. C. A. Building, Decatur, Ill	577 00
Cost of Real Estate in Bement,	12,663 95
Cost of Real Estate in Harlem	2,340 00
Land for Gravel Pit, Fountain Co., Ind	14,000 00
Total	$656,862 95

G

THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

FREIGHT.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Per Cent. Increase.	Per Cent. Decrease.
Tons Carried, Revenue Freight	9,898,995	10,267,428	3.88	
Tons Carried, Company Freight	2,013,016	1,959,999		2.63
Total Tons Carried	11,712,011	12,227,435	4.40	
Tons carried one Mile, Revenue Freight	2,176,680,068	2,339,770,288	7.54	
Tons carried one Mile, Company Freight	224,937,904	191,820,687		14.72
Total Tons carried one Mile	2,400,617,962	2,531,590,925	5.46	
Average distance each Ton carried	206.0 Miles.	207.0 Miles.	0.98	
Earnings from Freight Traffic	$14,061,656 81	$13,650,185 54		2.96
Operating Expenses	11,749,082 00	12,655,070 34	7.71	
Average Earnings per Ton	$1.4501	$1.3293		8.32
Average Expenses per Ton	1.2114	1.2325	1.74	
Average Rate per Ton per Mile	Cts. 0.6464	Cts. 0.5834		9.75
Average Expenses per Ton per Mile	" 0.5400	" 0.5409	0.17	
Average Net per Ton per Mile	" 0.1064	" 0.0425		60.06
Total Freight Train Mileage	7,598,295	7,837,171	3.01	
Average Earnings per Train Mile	$1.8510	$1.7440		5.78
Average Expenses per Train Mile	1.5463	1.6168	4.56	
Average Net Earnings per Train Mile	0.3047	0.1272		58.25
Car Mileage, Loaded	140,074,008	144,198,504	2.94	
Car Mileage, Empty	52,644,528	59,121,794	12.30	
Car Mileage, Total—Loaded and Empty	192,718,526	203,320,298	5.50	
Average Loaded Cars per Train	18.43	18.42		0.05
Average Empty Cars per Train	6.93	7.55	8.95	
Average Total Cars per Train	25.36	25.97	2.41	
Average Load per Loaded Car—Tons	17.14	17.56	2.45	
Average Load per Car, Loaded and Empty—Tons	12.46	12.45		0.08
Average Load per Train—Tons—Including Company Freight	315.94	323.44	2.37	
Average Load per Train—Tons—Revenue Freight only	288.34	298.93	4.40	
Average Earnings per Loaded Car per Mile	Cts. 10.04	Cts. 9.47		5.68
Average Expenses per Loaded Car per Mile	" 8.39	" 8.78	4.65	

PASSENGER.

Number of Passengers carried	8,183,474	8,815,459	8.09	
Number of Passengers carried one Mile	369,283,344	534,560,434	44.76	
Average distance each Passenger carried	59.7 Miles.	60.8 Miles.	35.34	
Earnings from Passenger Traffic	$7,045,525 29	$ 8,917,828 77	26.57	
Earnings, including Mail, Express, etc.	8,580,184 02	10,626,252 08	23.85	
Operating Expenses	5,934,426 85	7,848,374 21	32.25	
Average Revenue per Passenger	$1.1394	$1.3450	18.31	
Average Cost carrying each Passenger	0.9597	1.1864	23.62	
Average Rate per Passenger per Mile	Cts. 1.908	Cts. 1.668		12.58
Average Cost per Passenger per Mile	" 1.607	" 1.468		8.65
Average Net per Passenger per Mile	" 0.301	" 0.200		33.55
Total Passenger Train Mileage	8,100,348	9,893,789	18.44	
Average Earnings per Train Mile	$1.0592	$1.1076	4.57	
Average Expenses per Train Mile	0.7328	0.8181	11.67	
Average Net Earnings per Train Mile	0.3266	0.2895		11.36
Car Mileage—Coaches and Sleepers	28,619,997	36,216,353	26.54	
Total Car Mileage, including Baggage, Mail, Express and Sleepers	37,722,660	46,813,467	24.10	
Average number Cars per Train	4.66	4.88	4.72	
Average number Passengers per Coach and Sleeper	12.90	14.76	14.43	
Average number Passengers per Train	45.59	55.72	22.23	
Average Earnings per Car per Mile	Cts. 22.75	Cts. 23.70		0.01
Average Expenses per Car per Mile	" 15.73	" 16.77	6.61	

THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Four Years.

Year.	Miles Road Operated.	Earnings Per Mile.	Operating Expenses Per Mile.	Net Earnings Per Mile.	Tons Freight Carried.	Tons Carried One Mile.	Rate Per Ton Per Mile. (cents.)	Expenses Per Ton Per Mile. (cents.)	Net Earnings Per Ton Per Mile. (cents.)	Freight Train Mileage.	Freight Train Earnings Per Mile.	Freight Train Expenses Per Mile.	Freight Train Net Earnings Per Mile.
1882	3,401.6	$4,954 05	$3,552 49	$1,391 56	5,911,012	1,347,611,320	0.961	0.694	0.267	3,599,580	$1 38.00	$1 00.70	$0 37.30
1883	3,587.5	4,715 02	3,827 76	887 26	5,859,566	1,263,790,523	0.948	0.787	0.161	9,486,967	1 26.28	1 04.79	0 21.49
1884	3,582.5	4,650 83	3,896 35	754 48	6,358,761	1,373,842,462	0.857	0.737	0.120	9,612,370	1 23.50	1 05.33	0 17.17
1885	2,912.8	4,738 25	3,995 80	742 46	5,556,571	1,163,951,126	0.802	0.600	0.103	7,726,108	1 22.98	1 07.18	0 15.82
1886	2,191.4	5,843 96	4,308 62	1,535 34	5,436,067	1,101,895,716	0.818	0.605	0.213	6,210,422	1 45.11	1 07.30	0 37.81
1887	1,989.5	6,745 80	4,757 22	1,988 28	6,409,201	1,075,047,983	0.855	0.623	0.232	5,787,140	1 59.38	1 16.15	0 43.18
1888	1,960.1	6,834 26	5,014 40	1,819 86	6,231,879	1,072,296,810	0.750	0.638	0.112	5,958,618	1 34.98	1 14.86	0 20.12
Year ending June 30													
1889	1,944.4	6,475 25	5,047 44	1,427 81	6,287,780	1,094,717,509	0.756	0.827	0.129	6,102,092	1 35.36	1 12.41	0 22.14
1890	1,922.3	6,948 30	5,082 11	1,914 19	6,852,358	1,430,197,332	0.647	0.479	0.168	7,286,032	1 27.07	0 94.07	0 33.00
1891	1,922.9	6,775 23	4,974 37	1,800 86	6,258,064	1,209,179,055	0.783	0.563	0.170	6,611,126	1 34.08	1 02.91	0 31.12
1892	1,916.8	7,506 26	5,651 36	1,855 59	6,928,051	1,390,510,161	0.705	0.554	0.151	7,501,799	1 30.65	1 02.68	0 27.97
1893	1,950.0	7,534 04	5,718 31	1,805 73	7,036,387	1,409,033,492	0.693	0.559	0.123	7,567,247	1 27.09	1 02.39	0 24.70
1894	1,935.4	6,485 20	5,079 25	1,405 95	5,414,994	1,097,585,279	0.698	0.607	0.091	6,258,098	1 22.35	1 06.40	0 15.95
1895	1,935.4	6,179 53	4,800 40	1,370 12	5,871,557	1,100,976,202	0.721	0.560	0.161	6,245,391	1 27.02	0 98.65	0 28.37
1896	1,938.2	6,614 58	4,773 58	1,841 00	6,100,710	1,218,755,357	0.698	0.520	0.178	6,313,782	1 34.32	1 00.38	0 33.96
1897	1,936.2	5,943 20	4,121 04	1,822 28	5,954,750	1,149,988,024	0.661	0.470	0.191	5,402,191	1 40.77	1 00.00	0 40.77
1898	2,061.8	6,497 54	4,514 03	1,983 51	6,892,831	1,365,698,174	0.624	0.447	0.177	5,806,504	1 35 17	0 96.80	0 38.37
1899	2,277.7	6,319 52	4,571 05	1,748 47	6,987,641	1,466,630,564	0.553	0.421	0.132	7,101,324	1 29.73	0 98 57	0 30.98
1900	2,329.5	7,037 57	5,106 83	1,920 74	8,040,230	1,902,981,278	0.556	0.425	0.133	7,075,158	1 50.05	1 14.31	0 35.74
1901	2,360.3	7,497 39	5,402 72	2,034 67	8,354,949	1,976,955,458	0.564	0.436	0.128	6,981,286	1 59.84	1 23.69	0 36.15
1902	2,438.0	7,816 21	5,679 83	2,135 38	8,578,640	1,947,404,142	0.604	0.463	0.141	6,841,121	1 71.95	1 31.78	0 40.17
1903	2,483.3	8,513 20	6,368 81	2,144 39	9,691,514	2,198,073,383	0.606	0.449	0.157	7,284,158	1 82.97	1 41.59	0 41.38
1904	2,516.7	9,148 34	7,026 47	2,121 87	9,698,995	2,175,690,058	0.646	0.540	0.106	7,598,295	1 85.10	1 54 62	0 30.47
1905	2,517.2	9,811 14	8,145 34	1,665 80	10,267,438	2,339,770,238	0.583	0.541	0.042	7,827,171	1 74.40	1 61.68	0 13.72

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THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-FOUR YEARS—*Continued.*

YEAR.	Average Load Per Car. (Tons.)	Average Fr'ght Train Load. (Tons.)	Number Passengers Carried.	Number Passengers Carried One Mile.	Rate per Passenger Per Mile. (cents.)	Expenses Per Passenger Per Mile. (cents.)	Net Earnings Per Pas'gr Per M. (cents.)	Passenger Train Mileage.	Passenger Train Earnings Per Mile.	Passenger Train Expenses Per Mile.	Passenger Train Net Earnings Per Mile.	Average No. of Paying Passengers Per Car.	Average No. of Paying Passengers Per Train.
1883	9.68	145.07	4,251,393	166,198,560	2.373	1.804	0.569	4,942,209	$0 97.70	$0 60.60	$0 37.10	11.10	33.66
1883	9.56	133.21	3,905,065	154,727,718	2.498	2.190	0.308	4,866,465	1 00.28	0 69.64	0 30.62	10.39	31.79
1884	10.12	142.92	4,046,577	154,700,993	2.366	2.251	0.115	5,024,892	0 93.70	0 69.29	0 24.41	10.19	30.79
1885	10.36	153.24	3,180,644	138,274,372	2.314	2.247	0.067	4,525,662	0 91.13	0 68.65	0 22.48	10.28	30.55
1886	10.80	177.29	2,726,168	131,005,562	2.185	2.129	0.056	3,971,677	0 91.53	0 69.94	0 21.59	10.11	32.06
1887	11.01	186.41	2,802,026	143,762,871	2.212	1.923	0.289	4,103,310	0 97.41	0 67.41	0 30.00	10.07	35.04
1888	10.94	179.96	3,073,231	157,146,634	2.096	1.867	0.229	4,521,426	0 89.78	0 64.90	0 24.88	9.89	34.76
Year ending June 30.													
1889	11.08	179.40	3,069,772	152,404,045	2.150	1.939	0.211	4,525,866	0 86.65	0 65.28	0 23.37	9.89	33.67
1890	12.15	196.29	3,115,804	149,183,008	2.130	1.890	0.240	4,475,682	0 85.04	0 62.99	0 25.05	9.67	33.33
1891	11.51	182.90	3,416,076	149,904,203	2.178	1.842	0.336	4,559,766	0 88.16	0 60.57	0 27.59	9.11	32.88
1892	12.09	185.36	3,826,749	170,201,067	2.057	1.839	0.218	4,714,252	0 91.31	0 66.88	0 24.93	9.73	36.10
1893	12.28	186.20	3,934,916	177,119,065	2.009	1.727	0.282	4,805,338	0 91.87	0 63.67	0 28.20	9.98	36.86
1894	11.94	175.89	3,724,674	210,281,487	1.877	1.508	0.369	5,133,272	0 92.61	0 61.79	0 30.82	11.49	40.96
1895	12.26	176.29	3,404,771	139,472,829	2.148	1.979	0.167	4,917,128	0 77.30	0 56.13	0 21.17	8.41	29.38
1896	12.67	193.04	3,542,042	158,966,979	2.038	1.928	0.210	5,019,857	0 81.41	0 57.89	0 23.52	9.42	31.66
1897	12.86	212.87	3,140,170	135,963,860	2.087	1.995	0.192	4,823,090	0 77 57	0 53.43	0 24.14	8.75	32.19
1898	12.99	216.55	3,517,682	180,359,187	1.967	1.774	0.193	5,499,994	0 81.70	0 56.18	0 23 52	9.65	32.79
1899	14.33	255.12	3,751,019	210,592,939	1.897	1.610	0.287	6,270,751	0 79.42	0 54.66	0 25.36	9.91	35.58
1900	16.07	291.02	4,277,736	233,848,065	1.913	1.650	0.263	6,644,720	0 84.03	0 58.09	0 25.94	9.97	35.19
1901	16.97	309.06	4,943,016	264,268,214	1.885	1.558	0.327	7,237,313	0 85.14	0 56.89	0 28.25	10.53	36.51
1902	16.69	316.38	5,109,302	322,706,490	1.791	1.497	0.294	7,891,050	0 91.40	0 62.83	0 28.57	12.09	41.96
1903	17.82	331.29	5,944,913	330,111,942	1.859	1.667	0 192	7,715,162	0 96.84	0 71 32	0 25.52	12.17	42.79
1904	17.14	315.94	6 182,474	349,293,834	1.906	1.607	0.301	8,100,348	1 05.92	0 73.26	0 32.66	12.90	45.89
1905	17.56	323.44	6,615,449	534,569,484	1.668	1.468	0.200	9,598,760	1 10.76	0 81.81	0 28.95	14.76	55.72

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THE WABASH RAILROAD COMPANY.

STATEMENT OF FUNDED DEBT AND INTEREST CHARGES.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,011,000 00	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1889	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 3,500,000 00 B 26,500,000 00	6%	Jan. and July.	*
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	2 223,000 00	4%	Jan. and July.	88,920 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	755,000 00	5%	May and Nov.	38,850 00
The Wabash R. R. Co., Equipment Gold Bonds, Series B	Nov. 1904	Dec. 1914	826,000 00	4½%	June and Dec.	38,160 00
The Wabash R. R. Co , 5% Collateral Notes	May, 1904	May, 1907	6,160,000 00	5%	May and Nov.	308,000 00
The Wabash R. R. Co., Temporary 4½% Gold Notes	May. 1905	May. 1910	7,000,000 00	4½%	May and Nov.	315,000 00
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	2,600,000 00	6%	Mar. and Sept.	180,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1878	Oct., 1908	468,000 00	6%	April and Oct.	28,080 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1891	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	3,173,000 00	3½%	April and Oct.	111,055 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,600,000 00	4%	Jan. and July.	64,000 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1928	100,000 00	4%	Jan. and July.	4 000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1902	May, 1942	200,000 00	4%	May and Nov.	8,000 00
LEASED LINE BONDS.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1878	July, 1908	421,000 00	6%	Jan. and July.	25,260 00
Total			$108,887,000 00			$3,797,325 00

*Interest payable if earned.

NOTE.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $3,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1905.

The total authorized issue of Omaha Division First Mortgage Bonds is $3,500,000.00. The total amount issued and outstanding June 30, 1905, is $3,173,000.00, $327,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.00 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and in the acquisition of additional equipment.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series A, for the first year ending May 1, 1905, is $40,950.00. Ten per cent of the principal sum—viz., $84,000.00—is payable each year, making a reduction in the annual interest charge, each year, $4,200.00 until the bonds have matured.

Amount of interest on Wabash Railroad Company Equipment Gold Bonds, Series B, for the first year ending December 1, 1905, is $38,160.00. Ten per cent of the principal sum—viz., $87,000.00—is payable each year, making a reduction in the annual interest charge each year, of $9,915.00 until the bonds have matured.

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SEVENTEENTH
ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad

COMPANY.

FOR THE FISCAL YEAR ENDING
JUNE 30TH, 1906

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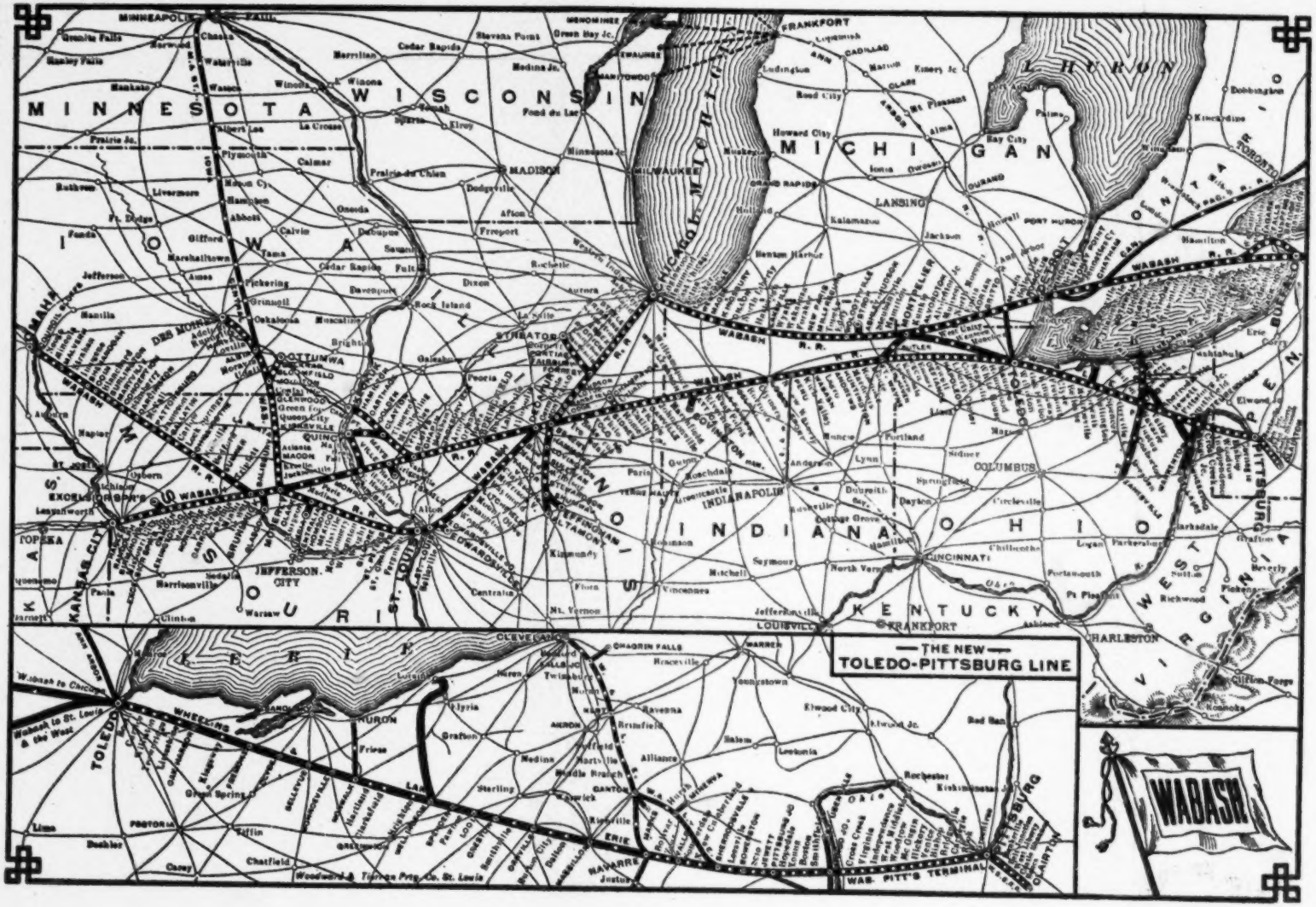
THE NEW
TOLEDO-PITTSBURG LINE
WABASH
MINNESOTA
WISCONSIN
MICHIGAN
IOWA
ILLINOIS
INDIANA
OHIO
KENTUCKY
MISSOURI
KANSAS
WEST VIRGINIA
ONTARIO
L. HURON
L. MICHIGAN
MINNEAPOLIS
MADISON
MILWAUKEE
FRANKFORT
LANSING
DETROIT
TORONTO
OTTUMWA
QUINCY
STREATOR
CHICAGO
INDIANAPOLIS
COLUMBUS
CINCINNATI
LOUISVILLE
CHARLESTON
PITTSBURG
TOLEDO
CLEVELAND
HURON
ERIE
NAVARRE
WAS. PITT'S TERMINAL
CLAIRTON
JEFFERSON CITY
TOPEKA
KANSAS CITY
EXCELSIOR SPR'S
OMAHA
DES MOINES
Wabash to Chicago
Wabash to St. Louis & the West
Woodward & Tierman Prtg. Co. St. Louis

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Seventeenth Annual Report

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For The Fiscal Year Ending
June 30th, 1906.

ST. LOUIS:
Woodward & Tiernan Printing Co.,
1906.

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OFFICERS AND DIRECTORS

—OF—

THE WABASH RAILROAD CO.

EDWARD T. JEFFERY, . . *Chairman of the Board.*
FREDERIC A. DELANO, . . *President.*
EDGAR T. WELLES, ... *Vice-President.*
WELLS H. BLODGETT, . . *Third Vice-President and General Counsel.*
E. B. PRYOR, ... *Fourth Vice-President and Asst. Sec'y.*
HENRY MILLER, ... *General Manager.*
C. N. TRAVOUS, ... *General Solicitor.*
J. L. MINNIS, ... *General Attorney.*
B. C. WINSTON, ... *General Claim Agent.*
GEORGE G. YEOMANS, . . *Assistant to President.*
J. C. OTTESON, ... *Secretary and Asst. Treasurer.*
F. L. O'LEARY, ... *Treasurer.*
S. E. COTTER, ... *General Superintendent.*
T. J. TOBIN, ... *Auditor.*
D. O. IVES, ... *General Traffic Manager.*
W. C. MAXWELL, ... *Asst. General Traffic Manager.*
S. B. KNIGHT, ... *Industrial Commissioner.*
C. S. CRANE, ... *General Passenger and Ticket Agent.*
D. I. FORSYTH, ... *Superintendent Transportation.*
C. P. CHESEBRO, ... *General Car Accountant.*
C. A. HOW, ... *Purchasing Agent.*
I. R. L. WILES, ... *Supply Agent.*
A. O. CUNNINGHAM, . . . *Chief Engineer.*
J. B. BARNES, ... *Supt. Locomotive and Car Dept.*
G. C. KINSMAN, ... *Superintendent Telegraph.*
S. H. OVERHOLT, ... *General Baggage Agent.*
DR. H. W. MOREHOUSE, . . *Chief Surgeon.*

DIRECTORS.

GEO. J. GOULD, — S. C. REYNOLDS,
EDWARD T. JEFFERY, — ROBERT C. CLOWRY,
EDGAR T. WELLES, — THOS. H. HUBBARD,
WILLIAM B. SANDERS, — JOHN T. TERRY,
FREDERIC A. DELANO, — RUSSELL SAGE,
WELLS H. BLODGETT, — WINSLOW S. PIERCE,
ROBERT M. GALLAWAY.

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In Memoriam

RUSSELL SAGE

AT a meeting of the Board of Directors of the Wabash Railroad Company, the following resolution was adopted:

That this Board has heard with deep regret of the death of Mr. Russell Sage, a member of this Board since the organization of the Company, and one whose services were always at the command of the Company. His good judgment always proved of benefit and his associates desire to put on record their appreciation of his many sterling qualities. He will be greatly missed by his associates, not only on this Board, but on others, and it is desired to record this expression of their regard.

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SEVENTEENTH ANNUAL REPORT

OF THE

DIRECTORS

OF

The Wabash Railroad Co.

For the Fiscal Year Ending June 30th, 1906.

TO THE HOLDERS OF DEBENTURE MORTGAGE BONDS, AND TO THE STOCKHOLDERS OF THE WABASH RAILROAD COMPANY:

A summary of the operations of the Company for the fiscal year ending June 30th, 1906, as compared with previous years, is given herewith. The previous year with which we have to compare, being abnormal on account of the World's Fair at St. Louis, the results for the fiscal year of 1903-1904 are also included for the sake of comparison:

REVENUES, EXPENSES AND TRAFFIC.

Earnings and Expenses.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.	Increase this year over last year.
Gross Earnings	$23,023,626 63	$24,696,600 10	$25,015,378 70	$ 318,778 60
Operating Expenses	17,683,508 85	20,503,444 55	18,077,887 35	2,425,557 20*
Net Earnings	$5,340,117 78	$4,193,155 55	$6,937,491 35	$2,744,335 80
Per Cent. of Oper. Exp. to Earnings	76.81	83.02	72.27	10.75*
Gross Earnings per mile	9,148 34	9,811 14	9,937 78	126 64
Operating Expenses per mile	7,026 47	8,145 34	7,181 74	963 60*
Net Earnings per mile	2,121 87	1,665 80	2,756 04	1,090 24

ANALYSIS OF EARNINGS.

	Year ending June 30, 1904.	Per Cent.	Year ending June 30, 1905.	Per Cent.	Year ending June 30, 1906.	Per Cent.	Increase this year over last year.
Freight	$14,064,656 81	61.09	$13,650,185 54	55.27	$16,133,468 18	64.51	$2,483,280 64
Passenger	7,045,525 29	30.60	8,917,828 77	36.11	6,723,658 43	26.88	2,194,170 34*
Mail	830,928 23	3.61	837,088 28	3.39	835,984 26	3.34	1,104 02*
Express	533,703 85	2.32	681,736 42	2.80	767,057 46	3.07	75,321 04
Miscellaneous	548,812 45	2.38	599,761 09	2.43	550,212 37	2.20	49,548 72*
Total	$23,023,626 63	.....	$24,696,600 10	.....	$25,015,378 70	.....	$ 318,778 60

ANALYSIS OF EXPENSES.

	Year ending June 30, 1904.	Per Cent.	Year ending June 30, 1905.	Per Cent.	Year ending June 30, 1906.	Per Cent.	Increase this year over last year.
Maint. of Way and Struc.	$ 3,681,608 00	20.82	$ 4,007,505 59	19.55	$ 3,109,021 54	17.20	$ 898,484 05*
Maint. of Equip.	3,473,001 68	19.64	4,575,148 43	22.31	3,679,948 04	20.36	895,200 39*
Conduct'g Trans.	9,978,628 79	56.43	11,255,672 39	54.90	10,629,920 84	58.80	625,751 55*
General Expenses	550,270 38	3.11	665,118 14	3.24	658,996 93	3.64	6,121 21*
Total	$17,683,508 85	.....	$20,503,444 55	.....	$18,077,887 35	.....	$2,425,557 20*

*Decrease.

It will be noted that there was a very large decrease in passenger earnings as compared with the World's Fair year, but that this was a little more than made up by freight earnings, which increased more than 18% over the previous year. The diminution in passenger earnings was not wholly due to World's Fair business; for, undoubtedly a large contributing cause has been the opening of new rail lines between Chicago and St. Louis and between St. Louis and Kansas City; as well as the competition of electric lines both in Illinois and Indiana. The margin of profit at which passenger business is now done, is so very small considering the service demanded that we must look largely to freight traffic for net revenue. Since the first of January, 1906, the State of Ohio has passed a law limiting passenger rates to two cents per mile and this, of course, still further diminishes the revenues from passenger business.

The results of the year just closed show a very large decrease in operating expenses, and, as will be seen in detailed statements which follow, these economies are distributed through almost every item of operating expense. Conducting Transportation items show handsome decreases as the result of an increased train load of about 16%. Expenditures for Maintenance of Equipment and Maintenance of Way have also diminished, but the stockholders may be assured that the property has been fully maintained, and that economies have been made either by the employment of better methods or where appearances could be sacrificed for actual necessities. A large sum of money was spent during the year, out of operating expenses for reballasting and for heavier rail; and considerable sums, as will appear in the detailed statements, have been charged to operating expenses, and appropriated out of Surplus Earnings, for new Equipment, for Car Shops at Decatur, for double track between Sangamon and Decatur, and between Knights and Taylorville; also for necessary yard improve-

ments at Detroit, Chicago, St. Louis, Kansas City, Decatur and other minor points. The reports of the General Manager, the General Traffic Manager and the Fourth Vice-President, enclosed herewith, are referred to for details in regard to all of these matters.

In a general way, your Directors feel that the results of the year's operations have been most satisfactory, and that the stockholders are to be congratulated on the condition and prospects of the Company.

During the last fiscal year a considerable increase in the freight facilities at St. Louis and Chicago was made and property purchased at Detroit and Buffalo for increased facilities at these points. We have already begun to realize the benefits of the expenditures made at Chicago and St. Louis and the management feels that there is great opportunity for further growth at these larger cities. The Wabash is also beginning to feel the benefit of the Pittsburg extension, and it is hoped that the next fiscal year will reflect largely the result of the heavy expenditures at Pittsburg. The terminal improvements at St. Louis, Quincy, and at Chicago (in part), and to be made at Detroit and Toledo, have been thus far financed by the sale of Wabash Railroad Company First Lien Four Per Cent Terminal Gold Bonds; part of the issue of $10,000,000 which were authorized under date of January 1, 1904. There were sold during the fiscal year $1,332,000 of these Terminal Bonds, and the total amount outstanding at the present time is $3,555,000.

During the month of June, just before the close of the fiscal year, there were sold $6,180,000 of Ten Year Four and One-half Per Cent Equipment Notes. These Equipment Notes are to pay for eighty locomotives and six thousand cars, deliveries of which are to be made during the months of July to December, inclusive.

It will be noted that over and above Fixed Charges, Equipment Obligations and Improvements charged to Operating Expenses, in the first six months, the Company

earned in round figures $1,300,000 Surplus, which was appropriated by your Board to apply against the cost of new equipment, and that in the last six months, in addition to similar items (which embrace somewhat larger charges for Betterments included in Operating Expenses) the Company earned a surplus of $509,332.79, which was credited to Profit and Loss account. Hence, while Profit and Loss account showed a deficit at the close of the last fiscal year of $515,419.77, it now shows, by reason of this and other credits, a credit balance of $248,200.01.

It seems appropriate at this time to submit briefly to the holders of stock and debenture bonds of the Company certain considerations which have been of growing importance to their interests and which seem to the management to be now of controlling importance.

Certain definite and settled conditions have resulted from the vast consideration which has been given in this country to the relations between the public and the railroads. These conditions may fairly be deduced from the nature of popular demands which have reached the concrete form of further federal legislation. Public requirements have become clearly imperative that rates shall be fixed, stable and universal in their application and that facilities shall be adequate and impartially provided. As a just correlative, however, there seems to be now existing a wider and fairer tolerance of rates remunerative for the service rendered. The management is not apprehensive of serious reduction of the present scale of rates (which in our territory are very low), but it is apprehensive that unless ample provision is made for considerable capital outlays, the Company will not be able to fully meet its obligations to the public in the way of facilities furnished, or to gain the greatest measure of profit from the operation of the property. In short, it is believed that the tendency in rates is toward just, but fixed standard; that the competition of the future will be in the character of service and facilities offered to the

public, and that the profits of operation must grow or be reduced and disappear in the measure in which service and facilities are advanced, or suffered to halt and decline.

It must be remembered that the lines of the Wabash Company traverse a zone of dense traffic, handled on a basis of rates normally so low as to absolutely require ample and perfect facilities for economical operation if operation is to be, and continue to be, profitable. Moreover this is an era of revolutionized views of what must constitute railroad efficiency, and vast expenditures of capital are being made, to conform railroad plants to modern standards. Competing lines, great systems to the north and south of your property, have had the benefit of large and continued capital expenditures while the Wabash Company, with its debenture mortgage as an obstruction to every important source of new capital, has been seriously handicapped in this respect, restricted, as it has been, to its surplus earnings as its almost exclusive capital fund and with this fund limited in its application by the provisions of the mortgage.

The management has not been indifferent to the disappointment from year to year of the expectations of the debenture bondholders, but not only has the application of surplus revenue been necessary in the effort to keep pace with competitors in facilities furnished and to meet the growing demands of the public, but these revenues, conditioned in their use by the terms of the mortgage, have been insufficient to fully meet these needs in the past and are wholly inadequate to enable your company to follow the great strides now being taken by competing systems.

In view of these considerations the management is constrained to urge upon stockholders and debenture mortgage bondholders the importance of the provision made in the plan, which is now pending for their consideration, to meet the immediate and future capital requirements of the Company and to enable the Company not only to

increase the profits of operation but to make these profits distributable.

As bonds under the new mortgage embraced in the pending plan will be reserved for the retirement of existing liens, equipment obligations and notes, in addition to the reservation for exchange of the debenture bonds, the provision through the remaining bonds for the improvement, equipment and extension of the property and for required additions to its terminal and other facilities will be by no means excessive to cover the future requirements of your great and growing property.

Owners of the property must appreciate that a neglect to furnish needed facilities or equipment not only drives business away to our competitors, but invites hostile legislation and criticism, whereas there is every certainty that money wisely spent in such added facilities will, by the increase in earnings it will bring, render a full return on the investment and in addition greatly enhance the value of the existing property. Indeed, our earnings now, some $10,000 per mile, ought, with an intelligent expansion of our facilities, be readily increased to even double that figure.

As for the coming year the prospects are good. The management estimate that Gross Earnings will increase very considerably, with a proportionate increase in Net Earnings. The extent to which Surplus Earnings must be drawn upon for necessary Betterments will depend, as already explained, very largely upon the action of the holders of Debenture Bonds A and B and of the stockholders in the matter, which is now before them for consideration.

The Board wishes to express its appreciation to officers of the Company and other employes for their loyal and effective work in the company's interests.

By order of the Board of Directors,

F. A. DELANO,

Chicago, September 30, 1906. *President.*

3653

Report of the General Manager.

St. Louis, Mo., September 8th, 1906.

Mr. F. A. Delano, *President.*

Dear Sir—During the year ending June 30th, 1906, the Engineering and Maintenance of Way Departments have been reorganized, the Locomotive and Car Departments have been consolidated, the Fuel and Store Departments have been converted into a Supply Department with jurisdiction over fuel, supplies, stationery and material; the Buffalo and Detroit Divisions, also the St. Louis and Western Divisions have been consolidated—these and other changes, careful methods, close scrutiny and rigid economy have greatly reduced the cost of supervision and operating expenses generally without impairing the efficiency of the institution.

A large reduction in passenger mileage was made by taking off unnecessary trains that were not paying expenses, thus improving the showing of the balance of the trains.

The following statement shows the cost per mile for Maintenance of Way and Structures during the fiscal year just ended as compared with the fiscal years ending June 30th, 1904 and 1905.

COST PER MILE—MAINTENANCE OF WAY AND STRUCTURES.

	Year Ending June 30th	Total Maint. of Way.	Cost Per Mile	Maint. of Way Excluding Additions and Improvements	Cost Per Mile
Wabash (Proper)...	1904	$3,400,297 86	$1,587 96	$2,589,730 91	$1,209 42
	1905	3,580,372 65	1,672 06	2,996,819 94	1,399 53
	1906	2,744,400 81	1,281 65	2,110,939 34	985 82
Leased Lines					
Buffalo Division.....	1904	244,074 77	886 58	244,074 77	886 58
	1905	337,233 10	1,224 97	337,233 10	1,224 97
	1906	262,327 49	952 88	262,327 49	952 88
Moberly to Hannibal	1904	30,268 65	434 27	30,268 65	434 27
	1905	82,266 23	1,180 29	82,266 23	1,180 29
	1906	95,993 41	1,377 24	95,993 41	1,377 24
Milan to Toledo.....	1904	6,966 72	225 46	6,966 72	225 46
	1905	7,633 61	247 04	7,633 61	247 04
	1906	6,299 83	203 88	6,299 83	203 88
Total.....	1904	$3,681,608 00	$1,462 58	$2,871,041 05	$1,140 57
	1905	4,007,505 59	1,592 05	3,423,952 88	1,360 22
	1906	3,109,021 54	1,235 11	2,475,560 07	983 46

7009

The following statement shows a comparison of the average cost of repairs per locomotive, per passenger car and per freight car (including work cars) for the fiscal years ending June 30th:

	1904.	1905.	1906.
Locomotives.....	$2,800 47	$2,789 73	$2,037 17
Passenger cars.....	833 74	884 40	597 14
Freight cars.....	44 20	78 10	49 97

NOTE—The reason for the abnormally high cost per freight car during the fiscal year ending June 30th, 1905, was on account of 2,045 cars being sent to the shops of the American Car & Foundry Co. to be repaired or rebuilt, the entire expense, $468,121.57, having been included in operating expenses. No cars were sent to the American Car & Foundry Co. for repairs during the fiscal year just ended. The average cost per freight car does not include 900 coal cars which are rented so and maintained by the West Side Belt. All of the above averages are based on straight maintenance and do not include any payments for new equipment.

In a general way the buildings, structures and all other property has been well maintained, and the following statement shows Additions and Improvements and Extraordinary Repairs and Renewals included in Operating Expenses during the last fiscal year in comparison with the two previous fiscal years. Also statements showing:

Miles of Road Operated (there having been no change in the main track mileage during the past year);

Transportation Department statistics;

Maintenance of Way Department statistics;

Locomotive and Car Department statistics;

Telegraph Department statistics.

Wabash Employes' Hospital Association.

Respectfully,

HENRY MILLER,
General Manager.

ADDITIONS AND IMPROVEMENTS INCLUDED IN OPERATING EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Remodeling Yards, North Market Street, St. Louis			$ 18,533 95
New Second Track, Knights to Taylorville			8,033 52
New Second Track, Sangamon to Decatur			100,000 00
Additions to Terminals, Randolph			6,045 21
New Car Shops, Decatur			450,000 00
One Clam Shell Unloader for Coal Chutes, Decatur			5,300 00
Passenger Train Electric Lighting Plant, St. Louis			4,880 95
New Passenger Depot, Mexico			6,241 81
New Transfer Table Car Shops, Moberly			8,052 22
Appropriation for New Equipment			400,000 00
Filling and Renewing Bridges			51,977 00
Crossings, Crossing Signals and Interlocking			11,667 75
River Protection			5,467
Ballasting			10,762 15
Passenger and Freight Stations, Shops and other Buildings			15,824 03
New Tools			1,964 60
Water and Fuel Stations			3,633 14
Total			$1,108,383 58

EXTRAORDINARY REPAIRS AND RENEWALS INCLUDED IN OPERATING EXPENSES.

American Car & Foundry Co., 12 Comb. Passenger and Baggage Cars and 10 Baggage Cars			$ 30,312 00
American Car & Foundry Co., 14 Coaches, 7 Chair Cars and 1 Dining Car			48,177 96
American Car & Foundry Co., 11 Cars for Banner Blue Trains			30,523 08
American Car & Foundry Co., 500 Flat Cars			75,952 32
American Car & Foundry Co., 500 Coal Cars			76,389 36
American Car & Foundry Co., 1,000 Coal Cars			152,377 44
American Car & Foundry Co., 150 Furniture Cars			40,596 12
American Car & Foundry Co., 500 Box Cars and 200 Furniture Cars			49,816 [illegible]
American Car & Foundry Co., 500 Coal Cars			36,520
Freight Cars Equipped with Air Brakes			14,989 35
Filling and Renewing Bridges			55,600 97
Crossings, Crossing Signals and Interlocking			255 50
Ballasting			3,468 64
Passenger and Freight Stations, Shops and other Buildings			21,545 99
Water and Fuel Stations			6,774 88
Repairing and Renewing Telegraph Lines			6,227 51
Building, Repairing and New Equipment			22,852 34
Operating Ditcher			2,422 50
Expense Account High Water			2,264 08
Total			$ 677,067 16
Total Additions and Improvements and Extraordinary Repairs and Renewals included in Operating Expenses	$2,007,436 98	$2,169,277 28	$1,785,450 74

7012

MILES OF ROAD OPERATED.

LINES EAST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From.	To.	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Detroit	Delray	.....	.....	4.6	4.6	.....	.....	4.6	10.7	5.0	6.9	31.8
Delray	Montpelier	92.4	.....	.....	92.4	2.5	.....	.....	48.0	.....	.....	142.9
Montpelier	Clarke Junction	149.5	.....	.....	149.5	.....	.....	.....	58.2	.....	.....	207.7
Clarke Junction	C. & W. I. Junction	.....	.....	17.6	17.6	.....	.....	17.6	.....	.....	.....	35.2
Toledo	Milan	.....	.....	30.9	30.9	.....	.....	1.8	.....	.....	19.3	52.0
Toledo	Tilton	252.4	.....	.....	252.4	8.8	.....	.....	138.6	.....	2.3	402.1
Toledo	Montpelier	49.6	.....	.....	49.6	.....	.....	.....	10.9	.....	.....	60.5
Maumee	Butler	17.5	.....	.....	17.5	.....	.....	.....	1.4	.....	.....	18.9
Montpelier	New Haven	25.7	.....	.....	25.7	.....	.....	.....	8.3	.....	.....	34.0
Butler	Covington	14.8	.....	.....	14.8	.....	.....	.....	2.8	.....	.....	17.6
Attica	Peru Junction	.....	.....	.....	.....	.....	.....	.....	7.7	.....	.....	7.7
Chili	Decatur Depot	71.2	.....	.....	71.2	15.2	.....	.....	40.5	.....	.....	126.9
Tilton	E. St. Louis Frt. House	110.0	.....	.....	110.0	30.6	.....	.....	70.7	.....	.....	211.3
Decatur	St. Louis Union Station	.....	.....	3.8	3.8	.....	.....	3.8	.....	.....	.....	7.6
Bridge Junction	Champaign	11.7	.....	.....	11.7	.....	.....	.....	2.2	.....	.....	13.9
Sidney	Edwardsville Junction	2.2	.....	.....	2.2	.....	.....	.....	1.2	.....	1.0	4.4
Edwardsville	C. & W. I. Junction	.....	.....	8.0	8.0	.....	.....	8.0	4.1	.....	.....	20.1
Chicago	Effingham	205.0	.....	.....	205.0	10.4	.....	.....	75.7	.....	.....	291.1
C. & W. I. Junction	Altamont	9.4	.....	0.9	10.3	.....	.....	.....	0.3	.....	.....	10.6
Shumway	Fairbury Junction	.....	.....	6.2	6.2	.....	.....	.....	.....	.....	.....	3.2
Forrest	Streator	30.9	.....	.....	30.9	.....	.....	.....	5.4	2.0	.....	38.3
Fairbury Junction	Aladdin	136.9	.....	.....	136.9	.....	.....	.....	48.3	.....	.....	185.2
Decatur Depot	North St. Hannibal	.....	2.9	.....	2.9	.....	.....	.....	1.5	.....	.....	4.4
Aladdin	Union Depot, Hannibal	.....	.....	0.4	0.4	.....	.....	.....	0.5	.....	.....	0.9
North St. Hannibal	Camp Point	39.8	.....	.....	39.8	.....	.....	.....	4.3	.....	.....	44.1
Bluffs	Wabash Junction, Quincy	.....	.....	22.7	22.7	.....	.....	.....	0.2	.....	.....	22.9
Camp Point	At Quincy	0.9	.....	.....	0.9	.....	.....	.....	3.5	.....	.....	4.4
At Quincy	Quincy	.....	.....	16.2	16.2	.....	.....	.....	.....	.....	0.9	17.1
East Hannibal	Elvaston	34.5	.....	.....	34.5	.....	.....	.....	1.7	.....	.....	36.2
Clayton	Keokuk	.....	.....	7.8	7.8	.....	.....	.....	1.0	.....	.....	8.8
Elvaston	Pittsfield	.....	6.2	.....	6.2	.....	.....	.....	1.1	.....	.....	7.3
Maysville												
Total		1254.4	9.1	119.1	1382.6	67.5	.....	35.8	548.8	7.0	30.4	2072.1

NOTE—The above does not include 6.8 miles main track and 0.2 miles side track, total 7.0 miles "owned" between Edwardsville Junction and Edwardsville Crossing, which is leased to the Illinois Terminal Railroad Company.

PAGE BOUND

LINES WEST OF THE MISSISSIPPI RIVER.

Description of Lines.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Tayon Av., 18th St.	23d St., St. Louis	0.4	.....	.....	0.4	.....	.....	.....	.....	.....	.....	0.4
Union Station, St. Louis	23d St., St. Louis	.....	.....	0.7	0.7	.....	.....	.....	.....	.....	.....	0.7
23d St., St. Louis	Harlem	274.6	.....	.....	274.6	6.2	.....	.....	113.2	.....	.....	394.0
Carr St., St. Louis	Ferguson	10.7	.....	.....	10.7	5.1	.....	.....	31.5	.....	.....	47.3
Franklin Av., St. Louis	N. Market St., St. Louis	.....	.....	.....	.....	.....	.....	.....	1.8	.....	.....	1.8
Carr St., St. Louis	Olive St., St. Louis	.....	.....	0.5	0.5	.....	.....	.....	.....	.....	0.4	0.9
Moberly	Ottumwa	131.3	.....	.....	131.3	.....	.....	.....	16.5	.....	.....	147.8
Moulton Junction	Albia	28.3	.....	.....	28.3	.....	.....	.....	2.6	.....	.....	30.9
Albia	Albia Connection	.....	.....	0.2	0.2	.....	.....	.....	.....	.....	0.6	0.8
Albia	Chesterfield	65.8	.....	.....	65.8	.....	.....	.....	9.4	.....	.....	75.2
Chesterfield	Des Moines	.....	.....	2.4	2.4	.....	.....	.....	.....	.....	.....	2.4
Centralia	Columbia	21.6	.....	.....	21.6	.....	.....	.....	1.2	.....	.....	22.8
Maryville Junction	Empire Coal Co.	.....	.....	.....	.....	.....	.....	.....	13.0	.....	.....	13.0
Moberly	Hannibal	.....	.....	69.7	69.7	.....	.....	.....	.....	.....	8.5	78.2
Harlem	Kansas City	.....	.....	1.5	1.5	.....	.....	0.4	3.8	.....	.....	5.3
Wabash Yards	Bridge J'ct'n, Kansas City	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.4
Brunswick	Chillicothe	38.3	.....	.....	38.3	.....	.....	.....	3.4	.....	.....	41.7
Chillicothe	Pattonsburg	.....	41.4	.....	41.4	.....	.....	.....	.....	3.7	.....	45.1
Pattonsburg	Council Bluffs	143.7	.....	.....	143.7	.....	.....	.....	22.6	.....	.....	166.3
Wabash Connection	Council Bluffs, U. D.	.....	.....	0.3	0.3	.....	.....	.....	.....	.....	.....	0.3
Council Bluffs	Omaha	.....	.....	2.8	2.8	.....	.....	.....	.....	.....	.....	2.8
Salisbury	Glasgow	15.4	.....	.....	15.4	.....	.....	.....	0.9	.....	.....	16.3
Excelsior Springs Junction	Milwaukee Junction	9.7	.....	.....	9.7	.....	.....	.....	0.7	.....	.....	10.4
Total		739.8	41.4	78.1	859.3	11.3	.....	0.4	220.6	3.7	9.5	1104.8

7013

3657

LINES EAST OF THE DETROIT RIVER.

DESCRIPTION OF ES.		1st Main Track.				2d Main Track.			Side Tracks.			Totals.
From	To	Owned.	Leased.	Joint Trackage.	Total	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Detroit	Black Rock	.....	.....	227.1	227.1	.....	.....	81.1	.....	.....	83.4	391.6
Welland Junction	Suspension Bridge	.....	.....	17.8	17.8	.....	.....	8.3	.....	.....	36.4	62.5
Suspension Bridge	Buffalo	.....	.....	25.6	25.6	.....	.....	5.0	.....	.....	8.9	39.5
Black Rock	International Junction	.....	.....	4.8	4.8	.....	.....	4.5	.....	.....	.....	9.3
Total		.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	128.7	502.9

7014

Note.—Above does not include 4.3 miles New York Central tracks between Black Rock and Exchange Street Station, Buffalo, for use of which the Wabash pays a fixed sum per car.

Above does not include 0.6 mile Lehigh Valley track at Wabash freight station, Louisiana Street, Buffalo, for the use of which the Wabash pays a fixed sum per car.

RECAPITULATION.

MILES OF ROAD OPERATED.

DESCRIPTION OF LINES.	1st Main Track.				2d Main Track.			Side Tracks.			Totals.
	Owned.	Leased.	Joint Trackage.	Total.	Owned.	Leased.	Joint Trackage.	Owned.	Leased.	Joint Trackage.	
Lines East of the Mississippi River	1254.4	9.1	119.1	1382.6	67.5	.....	35.8	548.8	7.0	30.4	2072.1
Lines West of the Mississippi River	739.8	41.4	78.1	859.3	11.3	.....	0.4	220.6	3.7	9.5	1104.8
Lines East of the Detroit River	.....	.....	275.3	275.3	.....	.....	98.9	.....	.....	128.7	502.9
Total	1994.2	50.5	472.5	2517.2	78.8	.....	135.1	769.4	10.7	168.6	3679.8

The Main Track Mileage shown in the foregoing statement is located as follows:

	Miles.
In New York	31.0
In Canada	244.3
In Michigan	105.6
In Ohio	170.2
In Indiana	357.4
In Illinois	745.2
In Missouri	654.0
In Iowa	208.9
In Nebraska	0.6
Total	2517.2

6598

7015

TRANSPORTATION DEPARTMENT.

FREIGHT.	Year ending June 30th. 1903.	1904.	1905.	1906.
Total Loaded Cars moved	1,830,621	1,881,101	1,917,557	2,108,613
Total Empty Cars moved	793,889	803,553	886,475	955,664
Total Loaded and Empty Cars moved	2,624,510	2,684,654	2,804,032	3,064,277
Average Loaded Cars moved per day	5,015	5,153	5,254	5,777
Average Empty Cars moved per day	2,175	2,202	2,428	2,618
Average Loaded and Empty Cars moved per day	7,190	7,355	7,682	8,395
Total Freight Train Mileage	7,284,158	7,551,585	7,782,336	8,384,058
Total Mixed Train Mileage	.....	210,094	207,851	156,186
Average Freight Train Mileage per day	19,957	20,817	21,455	23,397
Total number Freight Trains	86,134	91,251	94,720	98,663
Average number Freight Trains per day	236	250	260	270
Average number Miles run per train, per day	84.6	83.3	82.5	86.7
Average number Loaded Cars per train mile	18.59	18.05	18.05	19.80
Average number Empty Cars per train mile	7.22	6.78	7.40	8.28
Average number Loaded and Empty Cars per train mile	25.81	24.83	25.45	28.08

FREIGHT—Cont.	Year ending June 30th, 1903.	1904.	1905.	1906.
Average number Cars per train mile, reduced to loaded car basis.....	22.9	22.6	22.9	24.8
Total Loaded Car Mileage	135,424,005	140,074,008	144,198,504	169,120,230
Total Empty Car Mileage	52,573,824	52,644,523	59,121,794	70,661,309
Total Loaded and Empty Car Mileage.....	187,997,829	192,718,526	203,320,298	239,781,539
Foreign Loaded Car Mileage	75,534,916	88,221,505	86,246,968	116,219,796
Foreign Empty Car Mileage	26,439,131	27,065,112	29,513,045	41,037,308
Total Foreign Car Mileage	101,974,047	115,286,617	115,760,013	157,257,104
Wabash Loaded Car Mileage	59,889,089	51,852,498	57,951,536	52,900,434
Wabash Empty Car Mileage	26,134,693	25,579,411	29,608,749	29,624,001
Total Wabash Car Mileage	86,023,782	77,431,909	87,560,285	82,524,435
Number of Wabash Cars in Service, exclusive of work trains.....	16,089	16,039	17,625	17,722
Average number of Wabash Cars on other roads per day.....	7,834	7,624	7,455	9,213
Miles per Car per day, Wabash Cars on Wabash R. R.	28.5	25.2	23.6	26.8
Average number of Foreign Cars on Wabash R. R. per day	8,562	9,179	8,836	10,035
Miles per Car per day, Foreign Cars on Wabash R. R.....	32.6	34.4	35.9	42.9

PASSENGER.	Year ending June 30th. 1903.	1904.	1905.	1906.
Total Passenger Train Mileage	7,715,162	7,936,964	9,447,883	7,530,122
Total number Passenger Trains	82,549	86,625	96,379	81,934
Average number Passenger Trains per day	226	237	264	224
Average number Miles per Train per day	93.5	93.5	99.7	92.1
Average Passenger Train Mileage per day	21,138	22,193	26,321	20,630
Total Mileage Wabash, Baggage, Mail and Express Cars	8,691,319	8,746,068	10,036,499	8,758,389
Total Mileage Wabash, Coaches and Chair Cars	16,670,309	17,527,348	21,245,835	17,159,303
Total Mileage Sleeping Cars	9,234,387	9,883,877	12,387,349	9,888,854
Total Mileage Wabash Dining Cars	1,443,536	1,423,277	1,757,772	1,696,717
Total Mileage, all Cars	37,791,983	39,430,771	48,974,354	39,311,852
Number of Cars of all classes handled	404,055	421,210	491,290	426,685
Average number of Cars of all classes handled per day	1,107	1,154	1,346	1,169
Average number of Cars per train	4.90	4.84	5.07	5.11

Maintenance of Way Department.

NEW STEEL RAIL LAID.

	Year Ending June 30th.			This Yr. Compared with Last Year.	
	1904.	1905.	1906.	Increase.	Decrease
No. Tons 80-lb. New Rail	34,488.0	6,051.9	7,609.6	1,557.7	.....
Miles New Steel Rail Laid	275.0	48.5	61.6	13.1	.....

Note.—Of the rail laid during the fiscal year ending, June 30, 1904, 4,613.7 tons was laid in new second main track on the Decatur Division, and 3,648.5 tons on the Buffalo Division.

MISCELLANEOUS WORK.

	Year Ending June 30th.			This Yr. Comp'r'd with Last Year.	
	1904.	1905.	1906.	Increase.	Decrease.
No. Cross-ties laid, Main Track	872,839	1,135,254	908,238	.....	227,016
" Cross-ties laid, Side Track	167,652	265,516	172,271	.....	93,245
" Sets Switch-ties put in	483	806	539	.....	267
" Miles Track ballasted	} 222.8	44.4	56.3	11.9	.....
" Miles Track Reballasted		177.5	128.8	.....	48.7
" Miles Fence Rebuilt.	160.4	248.6	158.0	.....	90.6
" Miles Old Fence Repaired	149.1	124.4	87.3	.....	37.1
" Miles New Fence Built	103.9	44.1	17.6	.....	26.5
" Miles Ditching	48.6	29.7	87.4	57.7	.....
" Miles Sidings and Spurs Built	55.7	44.2	39.8	.....	4.4

Note.—Included in the above are 145,019 cross ties, 56 sets switch ties, 62.9 miles of track reballasted, 22.5 miles of fence rebuilt, and 22.5 miles sidings and spurs built on the Grand Trunk Section of the Buffalo Division; also 19 miles of track ballasted on the Omaha Division.

3664

LOCOMOTIVE AND CAR DEPARTMENT.

Locomotive Equipment.

	Year Ending June 30.		Increase.	Decrease.
	1905.	1906.		
Locomotives on hand July 1st...	528	581	53	.....
Bought and built during year...	67	.....	.....	67
Sold and scrapped during year	14	7	.....	7
On hand June 30th.	581	574	.....	7
Tractive Power in Lbs. of Engines on Hand June 30th.....	11,759,700	11,664,246	.....	95,454

Locomotive Repairs.

	Year Ending June 30.		
	1904.	1905.	1906.
Locomotives receiving general repairs.....	340	370	304
Locomotives receiving heavy repairs.....	299	324	312
Locomotives receiving light repairs.....	745	819	619
New Driving and Truck Axles..	1,048	1,011	427
Boilers, general repairs.....	103	132	287
Sets Air Brakes	1	2	.....
New Cylinders.....	55	45	19
New Cabs.....	44	65	34
Fire-boxes, new	12	21	28
Fire-boxes, repaired.....	546	509	523
Sets Flues, new.....	47	32	20
Sets Flues, reset.....	381	420	537
New Engine Frames.....	3	10	7
New Main and Side Rods.....	138	132	16
New Tires.....	424	953	374
New Engine and Tender Trucks	70	41	18
New Tank Frames	50	41	24
New Driving Wheel Centers.....	80	151	35
New Engine, Truck and Tender Wheels	4,588	4,528	3,078

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DISTRIBUTION OF ENGINE MILEAGE.

	Year Ending June 30th		Increase.	Decrease.
	1905.	1906.		
Freight Train Mileage	7,782,336	8,384,058	601,722	
Mixed Train Mileage	207,851	156,186		51,665
Frt. Double Headers, Pushers and Lights	525,453	708,742	183,289	
Passenger Train Mileage	9,447,883	7,530,122		1,917,761
Pass. Double Headers and Lights	277,664	108,905		168,759
Switching	4,098,945	4,221,386	122,441	
Joint Train Mileage, Buffalo Division	67,722	95,993	28,271	
Miscellaneous, Work Trains, Pay Trains, etc.	606,105	351,302		254,803
Total	23,013,959	21,556,694		1,457,265

EXPENSE OF OPERATING LOCOMOTIVES.

	Year Ending June 30th		Decrease.
	1905.	1906.	
Repairs { Labor	$ 956,187 52	$ 819,776 32	$136,411 20
Repairs { Material	669,905 86	356,693 70	313,212 16
Stores	75,063 77	59,834 34	15,229 43
Fuel (Coal and Wood)	1,975,226 52	1,925,538 85	49,687 67
Engineers and Firemen	1,435,741 15	1,381,058 95	54,682 20
Wiping and Dispatching	225,782 25	194,128 41	31,653 84
Total	$5,337,907 07	$4,737,030 57	$600,876 50

NOTE.—Stores and fuel includes work train expense.

COST PER 100 MILES RUN.

	Year Ending June 30th		Increase.	Decrease.
	1905.	1906.		
Repairs	$7 06	$ 5 46		$ 1 60
Stores	33	28		05
Fuel	8 58	8 93	$0 35	
Engineers and Firemen	6 24	6 41	17	
Wiping and Dispatching	98	90		08
Total	$23 19	$21 98		$ 1 21

	Year Ending June 30th 1905.	1906.
Total engine mileage	23,013,959	21,556,694
Average mileage per engine in service for year	46,399	45,671
Average monthly mileage per engine in service	3,866	3,806
Tons of coal consumed	1,368,316	1,368,284
Average cost per ton of coal on tender, including cost of handling	$1 44	$1 41
Average miles run to ton of coal	16.8	15.8

NOTE—Mileage includes work train mileage and Wabash proportion of all joint mileage on the Buffalo Division.

CAR EQUIPMENT.

	On hand July 1, 1905.	Changed, Built and Purchased.	Destroyed, Sold and Changed.	On hand June 30, 1906.
PASSENGER.				
Official	5	.....	.....	5
Pay	2	.....	.....	2
Air-Brake Instruction	1	.....	.....	1
Inspection	1	.....	.....	1
Dining	11	.....	.....	11
Parlor	8	.....	1	7
Café	6	.....	.....	6
Postal	34	.....	.....	34
Baggage	70	1	.....	71
Baggage and Mail	13	.....	.....	13
Baggage, Passenger and Mail	3	.....	.....	3
Passenger and Mail	5	.....	.....	5
Combination	57	.....	1	56
Coaches	175	.....	6	169
Chair	59	.....	.....	59
Pacific Express	5	.....	.....	5
Total Passenger	455	1	8	448
FREIGHT.				
Box	9,060	37	124	8,973
Stock	393	.....	9	384
Coal and Flat	8,053	51	70	8,034
Furniture and Rack	445	1	.....	446
Fruit	146	.....	2	144
Refrigerator	100	.....	.....	100
Cinder and Stone	227	.....	8	219
Ballast and Convertible	127	.....	2	125
Company Service	327	1	83	245
Derricks	13	.....	.....	13
Pile Drivers and P. D. Derricks	6	.....	.....	6
Cable	8	.....	.....	8
Ice	8	.....	3	5
Caboose Box	7	.....	1	6
Caboose Standard	264	.....	3	261
Total Freight	19,184	90	305	18,969
Total Passenger	455	1	8	448
Total Car Equipment.	19,639	91	313	19,417
Total Frt. Car Capacity, in Tons	713,710	.....	.....	710,180

NOTE.—Total Freight Equipment includes 999 coal cars which are rented to the West Side Belt Railroad and maintained by them.

CARS REPAIRED.

	Year Ending June 30.	Passenger.	Freight.	Total.
Cars Receiving Light Repairs.....	1904	3,233	147,234	150,467
	1905	3,526	182,183	185,709
	1906	5,248	227,182	232,430
Cars Receiving Heavy Repairs..	1904	161	1,791	1,952
	1905	122	2,088	2,210
	1906	175	1,803	1,978
Cars Receiving General Repairs	1904	73	520	593
	1905	84	634	718
	1906	41	653	694
Cars Rebuilt	1904	13	320	333
	1905	13	402	415
	1906	3	393	396
Total.....	1904	3,480	149,865	153,345
	1905	3,745	185,307	189,052
	1906	5,467	230,031	235,498
New Wheels Applied, Cast.....	1904	1,593	12,797	14,390
	1905	1,645	17,454	19,099
	1906	1,056	17,982	19,038
New Wheels Applied, Steel.....	1904	629	.....	629
	1905	896	.....	896
	1906	340	.....	340
Total New Wheels Applied..	1904	2,222	12,797	15,019
	1905	2,541	17,454	19,995
	1906	1,396	17,982	19,378

During the last fiscal year air brakes were applied to 335 freight cars at a cost of $16,586.76, making a total of 16,652, about 88% of the total number of cars so equipped.

No passenger cars were equipped with vestibules or gas during the fiscal year ending June 30th, 1906.

TELEGRAPH DEPARTMENT.

	Year ending June 30		Increase.	Decrease.
	1905.	1906.		
Total Miles of Road with Telegraph Lines	2,153	2,153	.....	....
Total Miles of Wire assigned to this Company.....	7,192	7,436	244	.....
Total Miles of Wire assigned to Telegraph Company.....	13,624	14,970	1,346	.....
Total Miles Wire used jointly...	747	227	.....	520
Total Miles of Wire.....	21,563	22,633	1,070	

WABASH EMPLOYES' HOSPITAL ASSOCIATION.

	June 30, 1905.	June 30, 1906.
Amount received from Employes	$71.415 90	$65,781 39
Amount received from the Wabash Railroad Co. and from other railroads for care of injured persons not members of the Association	1,996 70	439 14
Amount received from Bank—Interest on deposits	231 31	962 06
Received from Rent of Old Hospital at Peru	100 00	120 00
Total Receipts	$73,743 91	$67,302 59
Expenses	60,241 14	56,159 80
Excess Receipts over Expenditures	$13,502 77	$11,142 79
Balance of Excess Receipts over Expenditures from June 1st, 1884	$48,804 02	$59,946 81

The hospitals at Peru, Ind., Decatur, Ill., and Moberly, Mo., have been well maintained and some improvements added, and an extension of the work, in the way of building a new hospital at St. Louis, is now under contemplation.

The Wabash Railroad Company has, as in the past, contributed to the Association, in the way of expense of administration, collection of contributions and free transportation, both freight and passenger.

A report has been printed, giving full information in detail, as to the operation of the Association during the past year, and copies furnished to all parties interested.

Report of the General Traffic Manager.

St. Louis, Mo., September 12th, 1906.

Mr. F. A. Delano, President:

A report of the various subdivisions of the Traffic Department is submitted herewith:

FREIGHT DEPARTMENT.

GROSS FREIGHT EARNINGS.

Year ended June 30th, 1903	$13,327,478 75
Year ended June 30th, 1904	14,064,656 81
Year ended June 30th, 1905	13,650,185 54
Year ended June 30th, 1906	16,138,466 18

Per cent of inc. as compared with year ending June 30th, 1903, 21.09
Per cent of inc. as compared with year ending June 30th, 1904, 14.74
Per cent of inc. as compared with year ending June 30th, 1905, 18.23

Of the increase of $2,488,280.64 in the year ended June 30th, 1906, as against the preceding year, $2,255,000.00 occurred in the last nine months of the year.

Rate per Ton per Mile.

Year ended June 30th, 1905	(cts) 0.5834
Year ended June 30th, 1906	(cts) 0.5435
Decrease	6.8%

These figures, taken by themselves, are discouraging, but are due to an increase of average haul, rather than to a general decrease in rates, as shown by the following figures:

Average Haul.

Year ended June 30th, 1905	228 miles.
Year ended June 30th, 1906	252 miles.
Increase	10%

This increase in average haul results from our efforts to handle a larger share of freight moving between the

Missouri River and our eastern terminals, and fully offsets the decrease in rate per ton per mile. At the same time we view any material decrease from figures already extremely low, as dangerous to the prosperity of the Company, and trust that they have about reached the lowest point.

PASSENGER DEPARTMENT.

GROSS PASSENGER EARNINGS.

Year ended June 30th, 1903	$8,135,500 85
Year ended June 30th, 1904	7,045,525 29
Year ended June 30th, 1905	8,917,828 77
Year ended June 30th, 1906	6,723,658 43

The above shows a decrease of $2,194,170.34 as compared with the year ended June 30th, 1905, caused largely by the Louisiana Purchase Exposition. The Fair closed December 1st, 1904, but part of the earnings from this business appear in December and January; from the 1st of February to June 30th, passenger earnings show no decrease, but are almost exactly the same.

NUMBER OF PASSENGER TRAIN MILES.

Year ended June 30th, 1904	7,936,964
Year ended June 30th, 1905	9,447,883
Year ended June 30th, 1906	7,530,122

A decrease of 1,917,761 miles as compared with the preceding year, or slightly over 20%, and 406,842 miles less than the year ending June 30th, 1904, or 5.13%.

ADVERTISING AND COMMISSARY DEPARTMENTS.

The Advertising and Commissary Departments have been reorganized and already a very satisfactory showing has been made, in the direction both of economy and of greater efficiency. A determined effort to im

prove the dining car and restaurant service is already meeting with gratifying results, and a decreased deficit from these operations.

INDUSTRIAL DEPARTMENT.

An Industrial Department has been organized during the year and efficient work is now being done to locate and provide suitable facilities and service for desirable industries, warehouses, etc.

MAIL.

This department has been reorganized to look after the service given U. S. mail hauled for the Government, with a view to improving the service and increasing the business.

GENERAL.

New agencies have been established at the following points, viz.: Atlanta, Ga., Dallas, Tex., Hannibal, Mo., Indianapolis, Ind., Los Angeles, Cal., Memphis, Tenn., Minneapolis, Minn., Moberly, Mo., Peoria, Ill., and San Francisco, Cal., and we have strengthened our forces at other points.

This department has co-operated with the Operating Department to the end of perfecting a system of fast freight trains between all principal terminals that shall be regularly run on their advertised schedules, and a system of reports by which our customers are promptly advised of the whereabouts of their property, believing such service to be the best solicitor of business under present conditions.

Our passenger trains are running very closely to their schedules, and our equipment has been considerably improved; cars on all runs between Chicago, St. Louis

and Kansas City being equipped with electric light, etc., but it is hoped that in the near future an appropriation may be made to put all our passenger equipment up to the highest standard.

From a commercial standpoint the prospects for business are excellent and yet the possibilities for its growth along the line and at the larger terminals seem to be determined largely by the ability to furnish equipment and facilities. The Traffic Department is organized to effectively solicit business and I am confident that the business can be increased very materially if the equipment and facilities are supplied.

Respectfully submitted,

D. O. IVES,
General Traffic Manager.

Report of the Fourth Vice-President.

St. Louis, Mo., September 6th, 1906.

Mr. F. A. Delano,
President.

Dear Sir—

I submit herewith statements of the Accounting Department showing in detail the results of Operation, etc. for the fiscal year ending June 30th, 1906, as follows:

A—Results of Operation.
B—Comparative Statement of Earnings and Expenses.
C—Income Account and Profit and Loss Account.
D—Financial Exhibit.
E—Comparative Statement of Operating Expenses Three Years.
F—Improvements and Payments for Equipment Charged against Income.
G—Train and Mileage Statistics Three Years.
H—Mileage Statistics for Twenty-five Years.
I—Statement of Funded Debt and Interest Charges.
J—Statement of Car and Engine Trust Notes Outstanding.

The Company has no outstanding bills payable except Car and Engine Trust obligations. Vouchers are paid up closely, only the current month's vouchers and pay rolls being unpaid.

Since July 1st, 1905, Mr. D. B. Howard, who had been the Auditor of this Company and its predecessor companies since 1873, retired on account of continued ill health, and was succeeded by Mr. T. J. Tobin, the Assistant Auditor, and on August 12th, 1906, Mr. G. G. Landers, Auditor of Passenger Accounts, died. Mr. Landers had had charge of the Passenger Accounts of this Company and its predecessor companies for nearly thirty-four years and was a faithful and conscientious official.

Very truly yours,
E. B. PRYOR,
Fourth Vice-President.

A

THE WABASH RAILROAD COMPANY.

Results of Operation for the Year Ending June 30, 1906.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Gross Earnings	$28,028,626 63	$24,696,600 10	$25,015,378 70
Operating Expenses	17,888,508 85	20,508,444 55	18,077,887 35
Net Earnings	$5,340,117 78	$4,198,155 55	$6,937,491 35
Taxes	750,158 71	826,623 71	915,908 74
	$4,589,959 07	$3,366,531 84	$6,021,582 61
Miscellaneous Receipts, Interest, Dividends, etc	489,706 07	738,340 17	1,020,514 36
	$5,079,665 14	$4,104,872 01	$7,042,096 97
Balance Joint Track Rentals and Miscellaneous Expenses, as per Analysis (1) below	817,205 62	759,872 56	744,100 74
Net Earnings from Operation	$4,262,459 52	$3,344,999 45	$6,297,996 23
Additions and Improvements and other Charges, as per Analysis (2) below	1,050,745 64	1,335,799 67	1,974,152 68
Net Earnings applicable to Interest	$3,211,713 88	$2,009,199 78	$4,323,843 55
Interest on Bonds	3,092,422 72	3,468,572 17	3,814,510 76
Surplus	$119,291 16		$509,332 79
Deficit		$1,459,372 39	
Dividends on Preferred Debenture Bonds	105,000 00		
Net Surplus	$14,291 16		$509,332 79
Net Deficit		$1,459,372 39	

1. Analysis of Joint Track Rentals and Miscellaneous Expenses.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Debit Joint Track Rentals	$964,488 33	$883,623 99	$947,980 23
Credit " " "	151,640 71	136,921 51	211,330 74
	$812,797 62	$746,702 48	$736,629 49
Miscellaneous Expenses	4,408 00	13,170 08	7,471 25
	$817,205 62	$759,872 56	$744,100 74

2. Analysis of Additions and Improvements and Other Charges.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Additions and Improvements, as per Table "F"	$591,446 10	$656,862 95	$110,744 94
Payments for Equipment, as per Table "F"	323,661 11	511,005 82	347,882 22
Appropriation for New Equipment			1,300,000 00
Gold Equipment Sinking Fund Bonds of 1901, Sinking Fund	100,000 00	100,000 00	116,666 67
Premium on Gold Equipment Sinking Fund Bonds of 1901	2,568 75	4,893 75	4,548 75
Detroit and Chicago Extension—Sinking Fund			65,980 00
Lake Erie Transportation Co.—Sinking Fund Charges and Maintenance of Steamers	33,069 68	63,037 15	27,330 10
	$1,050,745 64	$1,335,799 67	$1,974,152 68

B

THE WABASH RAILROAD COMPANY.

Comparative Statement of Earnings and Expenses.

Earnings.	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
July	$2,009,158 67	$ 2,082,154 11	$ 2,001,084 23
August	2,121,426 47	2,480,786 25	2,251,703 74
September	2,239,688 37	2,609,682 10	2,182,812 68
October	2,306,296 69	2,543,188 61	2,150,322 84
November	1,818,078 77	2,057,814 48	2,060,961 00
December	1,881,094 15	2,082,401 62	2,081,847 00
January	1,771,418 70	1,852,051 81	2,046,052 00
February	1,522,942 23	1,575,771 50	1,940,555 00
March	1,750,020 45	1,872,481 85	2,100,503 00
April	1,794,760 97	1,795,289 49	1,899,498 30
May	1,899,108 88	1,860,201 30	2,018,886 30
June	2,028,040 28	1,934,838 98	2,321,341 71
Total Earnings	$23,023,626 63	$24,696,609 10	$25,015,378 70
Freight	$14,064,656 81	$13,850,185 54	$16,288,486 18
Passenger	7,045,525 29	8,917,823 77	6,723,658 42
Mail	830,928 23	837,088 28	835,984 26
Express	583,703 85	691,736 43	767,057 46
Miscellaneous	548,812 45	599,781 09	850,212 37
Total Earnings	$23,023,626 63	$24,696,609 10	$25,015,378 70
Per cent of Freight Earnings to Total	61.09	55.27	64.51
" " Passenger " "	30.60	36.11	26.88
" " Mail " "	3.61	3.39	3.34
" " Express " "	2.32	2.80	3.07
" " Miscellaneous " "	2.38	2.43	2.20
Operating Expenses (not including Taxes)	$17,683,508 85	$20,503,444 55	$18,077,887 85
Taxes	$750,158 71	$826,823 71	$915,908 74
Per cent of Operating Expenses (not including Taxes) to Earnings	76.81	83.02	72.27
Net Earnings (Taxes not deducted)	$5,340,117 78	$4,193,155 55	$6,987,491 85
Per cent of Net to Gross Earnings	23.19	16.98	27.73
Average number of miles operated	2516.7	2,517.2	2517.2
Average Earnings per mile	$9,148 34	$9,811 14	$9,937 78
Average Expenses per mile	7,026 47	8,145 34	7,181 74
Net Earnings per mile	2,121 87	1,665 80	2,756 04

THE WABASH RAILROAD COMPANY.

Income Account—Year Ending June 30, 1906.

To Operating Expenses:—			By Earnings:—		
Maintenance of Way and Structures	$3,109,021 54		Freight Earnings	$16,128,466 13	
Maintenance of Equipment	3,679,948 04		Passenger "	6,723,658 43	
Conducting Transportation	10,629,920 84		Mail "	535,964 26	
General Expenses	658,996 16		Express "	787,057 46	
		$18,077,887 55	Miscellaneous Earnings	550,212 87	$25,015,378 70
Net Earnings carried down		6,937,491 85			
		$25,015,378 70			$25,015,378 70
To Interest on Bonds		$3,797,650 76	By Net Earnings brought down		$6,937,491 85
Rentals of Leased Lines		26,850 00	Sundry Amounts received for Rent of Tracks, etc		211,330 74
Rentals of Tracks, Bridges, etc.		947,956 22	Miscellaneous Receipts — Interest, Dividends, etc		1,020,514 26
Taxes		915,908 74			
Sundry Accounts		94,801 35			
Additions and Improvements		110,744 94			
Payments for Equipment		547,852 22			
Appropriation for New Equipment		1,300,000 00			
Sinking Fund on Gold Equipment Sinking Fund Bonds of 1901		116,666 67			
Premium on Gold Equipment Sinking Fund Bonds of 1901		4,548 75			
Detroit and Chicago Extension Sinking Fund		66,000 00			
Balance carried to credit Profit and Loss		569,823 79			
		$8,169,336 45			$8,169,336 45

Profit and Loss Account—Year Ending June 30, 1906.

To Balance to debit Profit and Loss Account, June 30, 1905, brought forward	$515,419 77	By Balance Net Income for the year ending June 30, 1906, transferred to Profit and Loss Account and applied against the Deficit of last year	$569,823 79
Legal Expenses in Compton and Adelbert College cases	6,546 90	Chicago & Western Indiana R. R. Sinking Fund Payments, July 1, 1905, to June 30, 1906	76,734 28
Balance to credit Profit and Loss, June 30, 1906	248,200 01	Proceeds assessment of General Mortgage Interim Certificates—Sale of First and Second Mortgage Scrip received from the Purchasing Committee	1,674 92
		Damages collected from B. & O. R. R. account grade crossing at St. Joe, Indiana	2,822 85
		Sundry accounts written off	1,498 66
		Insurance collected on Elevator burned at Council Bluffs	11,499 75
		West Side Belt R. R. Co. Rental of 999 Coal Cars	187,064 58
	$770,166 68		$770,166 68

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D

THE WABASH RAILROAD COMPANY.

FINANCIAL EXHIBIT—JUNE 30, 1906.

(Per Condensed Balance Sheet.)

ASSETS.

	1905.	1906.	Increase.	Decrease.
Cost of Road & Equipment (1)	$145,910,347 70	$147,224,094 81	$1,313,747 11	
Supplies and Materials on Hand	1,419,258 80	1,320,701 78		98,556 52
Cash on Hand	1,554,539 73	1,500,352 78		54,186 95
Investments in Stocks and Bonds	17,662,358 16	17,856,093 68	193,735 52	
Sundry Accounts Collectible—				
Due from Agents	575,731 67	677,567 58	301,835 91	
From U. S., Carrying Mails	209,513 80	209,558 04	144 24	
Pacific Express Co	63,963 65	64,922 17	959 52	
Sundry Railroads and Individuals	700,180 13	1,013,857 68	313,677 55	
Bills Receivable	1,975 00	600 00		1,375 00
Advances Fast Freight Lines Account Working Fund	36,940 05	29,348 44		7,591 61
Advances on Account Real Estate in various places (2)	1,089,318 82	3,016,384 67	1,927,048 15	
Loans Receivable	5,000,000 00	5,000,000 00		
Miscellaneous	3,950,352 07	2,913,122 62		1,037,229 45
Balance to Debit Profit and Loss	515,419 77			515,419 77
	$178,429,898 55	$180,826,705 25	$2,396,806 70	

LIABILITIES.

	1905.	1906.	Increase.	Decrease.
Common Stock*	$28,000,000 00	$28,000,000 00		
Preferred Stock	24,000,000 00	24,000,000 00		
Bonds (3)	108,827,000 00	109,948,000 00	1,061,000 00	
Interest Due	236,735 75	273,374 50	36,638 75	
Interest Accrued, not Due	799,349 58	796,746 67		2,602 91
Sundry Accounts Payable—				
Vouchers and Pay Rolls	2,956,947 35	2,019,457 16		937,490 19
Sundry Railroads and Individuals	481,157 33	753,350 00	272,192 77	
Taxes Accrued, not due	444,134 11	478,672 91	34,538 80	
Hospital Account	5,538 20	5,536 65		1 55
Bills Payable—				
Notes Payable	250,000 00			250,000 00
Equipment Notes of Long Date	1,980,823 40	1,349,612 90		631,210 50
Proceeds sale Debenture Bonds, Series "B"	389,227 50	389,227 50		
Miscellaneous (4)	78,975 43	944,516 95	865,541 52	
Equipment Fund Account		1,700,000 00	1,700,000 00	
Balance to Credit, Profit and Loss		248,200 01	248,200 01	
	$178,429,898 55	$180,826,705 25	$2,396,806 70	

*Common Stock authorized, $75,000,000.00.
*Common Stock issued, $28,000,000.00.

(1) Increase is due to cost of new Terminals in St. Louis and Quincy, and at Chicago, (Landers Yard), $1,434,947.11, less Gold Equipment Sinking Fund Bonds retired, $100,000.00, and sale of several grain elevators at various points, $10,000.00.

(2) Increase is due to advances on account of property purchased at various points.

(3) Increase is due to issue of Wabash R. R. First Lien 4% Terminal Gold Bonds, $1,222,000.00, less Gold Equipment Sinking Fund Bonds, retired, $100,000.00; Equipment Gold Bonds, Series A, paid, $24,000.00; Equipment Gold Bonds, Series B, paid, $37,000.00.

(4) Increase is due to unexpended appropriations for new Car Shops at Decatur and for new Second Track, etc.

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E

THE WABASH RAILROAD COMPANY.

Operating Expenses—Year Ending June 30, 1906.

MAINTENANCE OF WAY AND STRUCTURES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Repairs of Roadway	$1,250,007 26	$1,781,858 90	$1,415,007 72
Renewals of Rails	188,963 21	424,583 16	149,951 96
do of Ties	421,804 69	534,574 56	480,277 67
Repairs and Renewals of Bridges and Culverts	822,923 43	480,489 47	199,901 53
do do Fences, Road C., etc	114,243 15	117,273 71	75,312 16
do do Buildings and Fixtures	421,079 68	534,548 53	226,226 64
do do Docks and Wharves	7,364 43	12,285 72	8,443 18
do do Telegraph	51,532 22	28,311 10	22,338 43
Stationery and Printing	3,104 67	4,684 14	1,396 64
Other Expenses	774 68	896 00	151 71
New 2nd Track Sangamon to Decatur	.....	.....	100,000 00
" Car Shops, Decatur	.....	.....	450,000 00
Total	$3,681,606 00	$4,007,505 59	$3,109,021 54

MAINTENANCE OF EQUIPMENT.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Superintendence	$ 98,726 78	$ 100,329 20	$ 98,304 75
Repairs and Renewals of Locomotives, Passenger	520,150 07	551,633 98	358,832 77
do do Locomotives, Freight	902,490 48	995,275 59	817,637 25
do do Passenger Cars	358,425 25	394,442 20	289,609 36
do do Freight Cars	744,499 80	1,381,651 07	879,149 86
do do Work Cars	40,214 16	43,465 19	24,218 06
do do Marine Equipment	34,671 67	7,125 20	18,330 32
do do Shop Machinery & Tools	725,079 13	228,826 78	116,429 49
Stationery and Printing	3,253 32	9,263 85	3,348 18
Other Expenses	152,859 43	176,835 94	122,434 57
Payments Account New Equipment	391,648 66	685,789 42	540,685 49
Appropriation for New Equipment	.....	.....	400,000 00
Total	$3,473,001 68	$4,575,148 42	$3,879,948 04

CONDUCTING TRANSPORTATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Superintendence	$ 204,209 54	$ 236,278 80	$ 217,259 98
Engine and Roundhouse Men	1,665,164 17	1,792,190 75	1,706,985 96
Fuel for Locomotives	1,860,990 52	1,955,830 90	1,918,296 53
Water Supply for Locomotives	108,778 32	114,621 12	99,353 79
Oil, Tallow and Waste, for Locomotives	67,787 30	76,816 11	66,891 89
Other Supplies for Locomotives	42,184 56	32,659 02	22,063 18
Train Service	1,147,234 85	1,232,592 58	1,126,425 05
Train Supplies and Expenses	379,474 53	320,225 34	271,822 77
Switchmen, Flagmen and Watchmen	719,732 06	757,223 34	698,902 09
Telegraph Expenses	340,315 23	403,836 87	345,736 14
Station Service	1,358,612 49	1,356,536 80	1,265,157 36
Station Supplies	91,522 82	115,315 93	69,918 19
Switching Charges—Balance	.....	.....	24,700 34
Car Mileage—Balance	453,959 46	548,018 47	580,907 75
Hire of Equipment—Balance	48,541 77	34,259 75	61,945 97
Loss and Damage	178,926 24	284,140 72	200,025 23
Injuries to Persons	128,307 69	456,412 68	304,529 80
Clearing Wrecks	41,991 63	41,823 17	32,928 05
Operating Marine Equipment	63,870 37	68,373 97	66,280 22
Advertising	100,734 79	136,837 23	73,555 13
Outside Agencies	522,175 68	536,823 77	582,995 08
Commissions	11,028 88	11,729 77	17,981 49
Stock Yards and Elevators	.....	.....	246,472 49
Rents for Tracks, Yards and Terminals	211,478 19	211,591 79	109,201 85
do of Buildings and Other Property	97,259 64	81,415 01	115,247 04
Stationery and Printing	135,655 74	129,589 20	5,308 52
Other Expenses	4,102 62	6,914 21	.....
Total	$9,978,238 79	$11,255,672 39	$10,629,998 84

E—*Continued.*

THE WABASH RAILROAD COMPANY.

Operating Expenses—*Continued.*

GENERAL EXPENSES.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Salaries of General Officers	$103,529 88	$117,496 10	$117,641 79
do of Clerks and Attendants	230,873 42	254,887 97	283,326 00
General Office Expenses and Supplies	18,122 46	22,901 14	24,741 08
Insurance	50,522 58	61,618 37	67,514 82
Law Expenses	99,714 40	150,265 73	122,411 69
Stationery and Printing (General Offices)	31,981 97	32,880 92	29,888 80
Other Expenses	15,575 67	25,107 91	18,972 75
Total	$550,270 38	$665,118 14	$658,996 93

RECAPITULATION.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Maintenance of Way and Structures	$3,681,808 00	$4,007,505 59	$ 3,109,021 54
Maintenance of Equipment	3,473,001 68	4,575,148 43	3,679,948 04
Conducting Transportation	9,978,628 79	11,255,672 39	10,629,920 84
General Expenses	556,270 38	665,118 14	658,996 93
Total Operating Expenses	$17,688,508 85	$20,503,444 55	$18,077,887 35

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THE WABASH RAILROAD COMPANY.

Additions and Improvements, Year Ending June 30, 1906.

New Side Tracks	$ 69,792 77
Cost of Coal Run Coal Co. Track, Streator, Ill	25,000 00
Cost of Land, Ferdinand St., Detroit	15,952 17
Total	$110,744 94

Payments for Equipment, Year Ending June 30, 1906.

Payments account 50 Locomotives	$176,882 22
Payments account 67 Locomotives, Series A	84,000 00
Payments account 999 Coal Cars, Series B	87,000 00
Total	$347,882 22

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G

THE WABASH RAILROAD COMPANY.

Train and Mileage Statistics.

	Year ending June 30, 1904.	Year ending June 30, 1905.	Year ending June 30, 1906.
Number of Freight Trains	91,251	94,720	98,663
Number of Freight Train Miles	7,551,585	7,782,326	8,384,058
Number of Mixed Train Miles	210,094	207,851	156,186
Earnings per Freight Train Mile	$1.8121	$1.7084	$1.8897
Tons of Revenue Freight Handled	9,698,995	10,267,436	12,016,925
Tons of Company Freight Handled	2,013,016	1,959,999	1,694,962
Total Tons of Freight Handled	11,712,011	12,227,435	13,711,887
Tons of Revenue Freight Handled One Mile	2,175,680,058	2,339,770,238	2,969,200,493
Tons of Company Freight Handled One Mile	224,937,904	191,820,687	163,432,491
Total Tons of Freight Handled One Mile	2,400,617,962	2,531,590,925	3,132,632,984
Rate per Ton per Mile (Revenue Tons)	Cts. 0.6464	Cts. 0.5834	Cts. 0.5435
Cost per Ton per Mile (Revenue Tons)	" 0.5400	" 0.5409	" 0.3980
Loaded Freight Cars One Mile	140,074,003	144,198,504	169,120,230
Empty Freight Cars One Mile, including Caboose Cars	52,644,523	59,121,794	70,661,309
Average Number of Cars per Freight Train Mile, including Caboose Cars	24.83	25.45	28.08
Percentage of Empty Freight Cars One Mile to Total, excluding Caboose Cars	24.16	26.16	26.[illegible]
Average Number of Tons Per Train (Revenue Freight)	280.31	292.83	347.67
Average Number of Tons per Train (Company Freight)	28.98	24.01	19.14
Average Total Number of Tons Per Train	309.29	316.84	366.81
Gross Earnings per Loaded Freight Car Mile	Cts. 10.04	Cts. 9.47	Cts. 9.54
Number of Passenger Trains	86,625	96,379	81,934
Number of Passenger Train Miles	7,936,964	9,447,883	7,530,122
Earnings per Passenger Train Mile	$1.0632	$1.1005	$1.1020
Number of Revenue Passengers	6,183,474	6,615,459	5,555,687
Number of Revenue Passengers One Mile	369,283,834	534,569,484	360,013,901
Rate per Revenue Passenger One Mile	Cts. 1.908	Cts. 1.668	Cts. 1.868
Cost per Revenue Passenger One Mile	" 1.607	" 1.468	" 1.739
Passenger Car Mileage	18,736,120	23,829,004	18,379,555
Sleeping Car Mileage	9,883,877	12,387,349	9,888,854
Other Car Mileage	10,810,774	12,758,001	11,043,443
Total Car Mileage	39,430,771	48,974,354	39,311,852
Average Number Cars per Passenger Train Mile	4.84	5.07	5.11
Gross Earnings of Passenger and Sleeping Cars, per Mile	Cts. 24.62	Cts. 24.62	Cts. 23.79
Total Traffic Train Miles	15,698,643	17,438,070	16,070,366
Earnings per Traffic Train Mile	$1.4425	$1.3922	$1.5313
Operating Expenses per Traffic Train Mile	1.1264	1.1758	1.1249
Net Earnings per Traffic Train Mile	0.3161	0.2164	0.4064

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THE WABASH RAILROAD COMPANY.

Mileage Statistics—Twenty-Five Years.

Year.	Mileage Operated.	Number of Freight Trains.	Number of Freight Miles.	Number of Mixed Train Miles.	Earnings per Freight Train Mile.	Tons of Revenue Freight Handled.	Tons of Company Freight Handled.	Total Tons of Freight Handled.	Tons of Revenue Freight Handled One Mile.	Tons of Company Freight Handled One Mile.	Total Tons of Freight Handled One Mile.	Rate per Ton per Mile. (Revenue Tons.)	Cost per Ton per Mile. (Revenue Tons.)	Loaded Freight Cars One Mile.	Empty Freight Cars One Mile.	Average Number Cars per Freight Train Mile Inc. Caboose.	Percentage of Empty Freight Cars One Mile to Total, Excluding Caboose.	Average Number of Tons per Train Revenue Freight.	Average Number of Tons per Train Company Frt.
1862	3,401.0																		
1863	3,587.5																		
1864	3,582.5																		
1865	2,912.8																		
1866	2,191.4																		
1867	1,999.5																		
1868	1,950.1																		
	Year ending Jan. 30th.																		
1869	1,944.4		6,102,092		1 35.55	6,267,780			1,247,611,320			0.951	0.694						
1870	1,922.3		7,296,023		1 27.07	6,852,359			1,394,717,500			0.756	0.627						
1871	1,922.3		6,611,136		1 34.68	6,256,064			1,263,790,623			0.647	0.479						
1872	1,918.9		7,501,709		1 30.63	6,926,051			1,373,842,462			0.705	0.583						
1873	1,960.0		7,501,241		1 27.09	7,096,997			1,183,961,136			0.702	0.554						
1874	1,935.4		6,268,068		1 22.85	5,614,549			1,101,986,716			0.705	0.600						
1875	1,935.4		6,345,391		1 22.02	5,611,510			1,075,047,083			0.698	0.607						
1876	1,935.4		6,412,782		1 24.82	6,100,710			1,215,795,871			0.721	0.590						
1877	1,935.2		5,672,191		1 20.77	5,364,769			1,149,999,024			0.666	0.530						
1878	2,061.2		6,396,504		1 20.17	5,952,851			1,305,685,174			0.661	0.470						
1879	2,061.2		7,101,324		1 18.73	6,967,641			1,666,980,564			0.624	0.447						
1880	2,277.7		7,075,158		1 20.05	6,940,220			1,973,961,278			0.553	0.421						
1881	2,339.5		7,960,295		1 19.94	8,354,949			1,975,953,433			0.568	0.435						
1882	2,360.5		6,981,396		1 17.95	6,978,603			1,947,404,143			0.544	0.456						
1883	2,435.0		6,541,121		1 71.95	6,991,514			2,196,073,393			0.606	0.463						
1884	2,483.3		7,294,158		1 82.97	6,986,960	2,013,016	11,713,011	2,175,690,066	224,987,804	2,400,617,862	0.646	0.540	140,074,000	32,644,523	24.83	24.16	280.21	26.95
1885	2,516.7	91,251	7,551,565	210,004	1 81.81	6,984,275	1,969,999	12,227,435	2,239,770,226	191,520,667	2,431,290,925	0.638	0.541	144,189,704	69,121,794	25.45	26.16	293.89	24.61
1906	2,517.2	94,720	7,762,336	207,851	1 79.94	10,267,436	1,944,962	12,711,397	2,999,200,693	163,432,491	3,162,633,184	0.544	0.399	169,120,320	70,361,300	25.06	26.96	347.49	18.14
1907	2,517.2	96,053	8,384,038	156,186	1 86.97	12,916,925	1,894,962												

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H—*Continued.*

THE WABASH RAILROAD COMPANY.

MILEAGE STATISTICS—TWENTY-FIVE YEARS—*Continued.*

Year.	Average Total Number of Tons per Train.	Gross Earnings per Loaded Freight Car Mile.	Number of Passenger Trains.	Number of Passenger Train Miles.	Earnings per Passenger Train Mile.	Number of Revenue Passengers.	Number of Revenue Passengers One Mile.	Rate per Revenue Passenger One Mile.	Cost per Revenue Passenger One Mile	Passenger Car Mileage.	Sleeping Car Mileage.	Other Car Mileage.	Total Car Mileage.	Average Number Cars per Passenger Train Mile.	Gross Earnings of Passenger Cars per Mile.	Total Train Miles.	Earnings per Train Mile.	Operating Expenses per Train Mile.	Net Earnings per Train Mile.
1883	145.07			4,943,200	80 97.70	4,251,383	166,198,560	2.273	1.904	19,796,130	9,983,877	10,510,774	39,430,771	4.84	24.62	15,698,643	81 44.25	81 12.64	80 31.61
1884	133.21			4,996,495	1 00.36	3,905,665	154,727,718	2.068	2.190	23,829,004	12,397,349	12,788,001	48,974,354	5.07	24.62	17,438,070	1 83.22	1 17.05	0 31.64
1885	142.93			5,024,982	0 93.70	4,046,577	154,700,398	2.366	2.351										
1886	153.36			4,435,663	0 91.13	3,180,844	136,274,473	2.514	2.347										
1887	177.49			4,971,677	0 91.69	2,726,186	131,005,562	2.186	2.130										
1888	186.41			4,103,310	0 97.41	2,902,088	143,762,671	2.212	1.923										
1889	179.96			4,521,436	0 98.76	3,073,331	157,146,634	2.066	1.867										
Year end'g June 30th																			
1889		179 40		4,521,866	0 96.65	3,069,772	159,404,045	2.150	1.889										
1890		196.20		4,675,652	0 98.04	3,115,804	161,153,006	2.130	1.880										
1891		182.90		4,559,768	0 96.16	3,418,078	160,904,301	2.178	1.943										
1892		185.36		4,714,352	0 91.31	3,259,749	170,301,987	2.097	1.750										
1893		190.30		4,906,358	0 91.67	3,384,916	177,119,055	2.089	1.727										
1894		175.39		5,153,773	0 92.61	3,734,674	210,261,457	1.877	1.506										
1895		176.59		5,317,128	0 77.30	3,404,771	189,473,529	2.146	1.679										
1896		184.04		5,019,977	0 81.41	3,442,043	188,946,979	2.098	1.529										
1897		212.87		4,823,080	0 77.57	3,149,170	185,943,960	2.087	1.695										
1898		216.55		5,449,944	0 81.70	3,317,282	180,350,167	1.957	1.774										
1899		235.12		6,270,751	0 79.42	3,751,019	210,592,959	1.897	1.610										
1900		291.02		6,644,730	0 84.03	4,277,725	239,945,065	1.913	1.650										
1901		309.00		7,227,213	0 86.14	4,943,016	264,268,314	1.885	1.558										
1902		316.26		7,691,000	0 91.40	5,100,302	282,706,490	1.791	1.497										
1903		321.29		7,715,162	0 96.84	5,045,913	290,111,942	1.859	1.667										
1904		309.29		7,305,864	1 05.22	5,168,474	300,385,504	1.906	1.607	19,796,130	9,983,877	10,510,774	39,430,771	4.84	24.62	15,698,643	81 44.25	81 12.64	80 31.61
1905		316.84		9,447,963	1 10.05	6,615,459	384,660,694	1.895	1.468	23,829,004	12,397,349	12,788,001	48,974,354	5.07	24.62	17,438,070	1 83.22	1 17.05	0 31.64
1906		366.81		7,300,122	1 10.30	5,055,697	300,013,901	1.966	1.739	19,979,755	9,986,854	11,043,443	39,311,052	5.11	23.79	16,070,366	1 83.13	1 12.49	0 40.64
		9.54	61,994																
		9.47	96,379																
		10.04	96,625																

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RTICAL IN BOOK

THE WABASH RAILROAD COMPANY.

Statement of Funded Debt and Interest Charges.

NAME OF BONDS.	Date of Issue.	When Due.	Amount.	Rate of Interest.	Interest, when Payable.	Annual Interest.
The Wabash Railroad Company, 1st Mortgage Bonds	May, 1889	May, 1939	$33,011,000 00	5%	May and Nov.	$1,650,550 00
The Wabash Railroad Company, 2d Mortgage Bonds	Feb., 1889	Feb., 1939	14,000,000 00	5%	Feb. and Aug.	700,000 00
The Wabash Railroad Company, Debenture Bonds	July, 1889	July, 1939	A 3,500,000 00 B 26,500,000 00	6%	Jan. and July.	
The Wabash R. R. Co., First Lien 4% Terminal Gold Bonds	Jan., 1904	Jan., 1954	3,544,000 00	4%	Jan. and July.	141,760 00
The Wabash R. R. Co., Reg. First Lien 4% Term. Gold Bonds	Jan., 1904	Jan., 1954	11,000 00	4%	Jan. and July.	440 00
The Wabash R. R. Co., Equipment Gold Bonds, Series A	May, 1904	May, 1914	672,000 00	5%	May and Nov.	33,600 00
The Wabash R. R. Co., Equipment Gold Bonds, Series B	Nov. 1904	Dec. 1914	739,000 00	4½%	June and Dec.	33,255 00
The Wabash R. R. Co., 5% Collateral Notes	May, 1904	May, 1907	6,160,000 00	5%	May and Nov.	308,000 00
The Wabash R. R. Co., 4½% Gold Notes	May, 1906	May, 1910	7,000,000 00	4½%	May and Nov.	315,000 00
Gold Equipment Sinking Fund Bonds of 1901	March, 1901	March, 1921	2,500,000 00	5%	Mar. and Sept.	125,000 00
St. Charles Bridge, 1st Mortgage Bonds	Oct., 1878	Oct., 1908	488,000 00	6%	April and Oct.	29,280 00
Toledo and Chicago Division, 1st Mortgage Bonds	June, 1901	March, 1941	3,000,000 00	4%	Mar. and Sept.	120,000 00
Detroit and Chicago Extension, 1st Mortgage Bonds	July, 1891	July, 1941	3,349,000 00	5%	Jan. and July.	167,450 00
Omaha Division, 1st Mortgage Bonds	Oct., 1901	Oct., 1941	3,178,000 00	3½%	April and Oct.	111,255 00
Des Moines Division, 1st Mortgage Bonds	Jan., 1899	Jan., 1939	1,600,000 00	4%	Jan. and July.	64,000 00
Kansas City, Excelsior Springs & Northern R.R., 1st Mort. Bonds	Jan., 1901	Jan., 1923	100,000 00	4%	Jan. and July.	4,000 00
Columbia and St. Louis R. R., 1st Mortgage Bonds	May, 1902	May, 1942	200,000 00	4%	May and Nov.	8,000 00
Leased Line Bonds.						
St. Louis, Council Bluffs & Omaha R. R., 1st Mortgage Bonds	July, 1876	July, 1906	621,000 00	6%	Jan. and July.	35,260 00
Total			$100,948,000 00			$3,585,450 00

*Interest payable if earned.

Note.—The Gold Equipment Sinking Fund Bonds, amounting in the aggregate to $3,000,000.00, represent the rental for a term of twenty years from March 1, 1901, upon certain locomotives, engines, cars and other rolling stock. The following Sinking Fund payments are provided in the mortgage, commencing March 1, 1902, and annually thereafter until and including March 1, 1906, $100,000.00 per annum. Commencing March 1, 1907, and annually thereafter until and including March 1, 1916, $150,000.00 per annum. Commencing March 1, 1917, and annually thereafter until and including March 1, 1921, $200,000.00 per annum.

The Detroit and Chicago Extension First Mortgage Bonds represent an original bonded indebtedness of $3,500,000.00, less $151,000.00 bonds retired by the operations of the Sinking Fund up to June 30, 1906.

The total authorized issue of Omaha Division First Mortgage Bonds is $3,500,000.00. The total amount issued and outstanding June 30, 1906, is $3,178,000.00, $327,000.00 being held in reserve by the Bowling Green Trust Company, Trustee.

The Columbia and St. Louis Railroad First Mortgage Bonds are a part of an authorized issue of $300,000.00. The remaining $100,000.00 is in the hands of the Mississippi Valley Trust Company, Trustee, to be used in improving the said Columbia and St. Louis Railroad and in the acquisition of additional equipment.

The Wabash Railroad Company Equipment Gold Bonds, Series A., represent an original bonded indebtedness of $840,000.00. Ten per cent of the principal sum, viz., $84,000.00 is payable each year. Amount of bonds retired up to June 30, 1906, $168,000.00.

The Wabash Railroad Company Equipment Gold Bonds, Series B., represent an original bonded indebtedness of $870,000.00. Ten per cent of the principal sum, viz., $87,000.00 is payable each year. Amount of bonds retired up to June 30, 1906, $131,000.00.

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J

CAR AND ENGINE TRUST NOTES OUTSTANDING

JUNE 30TH, 1906.

American Car & Foundry Company, 500 Flat Cars, Contract of August 8th, 1902, 19 notes outstanding (last one due February 2nd, 1908), for $6,329.36 each	$ 120,257 84	
American Car & Foundry Company, 500 Coal Cars, Contract of March 9th, 1903, 26 notes outstanding (last one due August 24th, 1908), for $6,365.78 each	165,510 28	
American Car & Foundry Company, 1,000 Coal Cars, Contract of March 9th, 1903, 29 notes outstanding (last one due November 11th, 1908), for $12,698.12 each	368,245 48	
American Car & Foundry Company, 22 Passenger and Baggage Cars, Contract of April 3rd, 1903, 10 notes outstanding (last one due April 3rd, 1907), for $2,526.00 each	25,260 00	
American Car & Foundry Company, 22 Passenger Cars, Contract of April 3rd, 1903, 14 notes outstanding (last one due August 27th, 1907), for $4,014.83 each	56,207 62	
American Locomotive Company, 12 Passenger Locomotives, 5 notes outstanding (last one due November 10th, 1908), various amounts	113,391 00	
Baldwin Locomotive Company, 38 Freight and Switch Locomotives, 10 notes outstanding (last one due November 17th, 1908), for $31,958.50 each	$ 319,585 00	
American Car & Foundry Company, 150 Furniture Cars, Contract of January 28, 1904, 34 notes outstanding (last one due April 19th, 1909), for $3,383.01 each	115,022 34	
American Car & Foundry Company, 11 Passenger Cars, Contract of August 1st, 1904, 26 notes outstanding (last one due August 13th, 1908), for $2,543.59 each	66,133 34	
Total		$1,349,612 90

In addition to the above, we have an operative contract with the American Car & Foundry Company for 500 box, 500 coal and 200 furniture cars, on a mileage basis, running to July, 1909, when the mileage payments will be complete and the cars belong to the Wabash Company. On this account the monthly mileage payments are $7,194.76. On this contract there was paid during the year ending June 30th, 1906, the sum of $86,337.12.

Total amount unpaid, June 30th, 1906, $250,708.54.

7043 The volume referred to in the certificate of the Trial Judge as "One volume returned by the Special Master marked 2989, Atchison, Topeka & Santa Fe Proceedings"

is in the words and figures following, to-wit:

7044 THE ATCHISON, TOPEKA & SANTA FE RAILROAD COMPANY, Complainants,

vs.

HERBERT S. HADLEY, Attorney General of the State of Missouri, et al., Respondents.

ST. LOUIS, MO., *Sept.* 7, 1907.

The MASTER: What have Counsel to say in respect to this case?

Mr. HADLEY: No order was made in reference to the Santa Fe and the C. & A. cases, except that after the hearing of these three cases (the Burlington, the Wabash, and the Missouri Pacific) if there was to be a trial of those two, it would be then determined.

But the situation has assumed such a form that it seems to me the only practicable way to proceed, from the standpoint of the State, is to now state that we will expect to try those cases. That is, we will expect the Complainant to proceed with the trial of those cases upon the conclusion of the cases already named. Which one will be tried first, I imagine will have to be determined by the number of the case, because there has been no understanding in regard to that.

The MASTER: Have those preliminary statements been made by those two roads?

Mr. HADLEY: They have not. Mr. Scarritt representing
7045 the Alton Road, after some correspondence, consented to proceed to prepare the statement for the Alton; and I understand that is now in process of preparation, in accordance with that understanding, that I thought had been arrived at at the previous hearing. That is, that if after the examination of the statements from the Wabash, Burlington, and Missouri Pacific, I found that the chances were we would want to try the other two cases, I would then call upon Mr. Lathrop and Mr. Scarritt for the statements of those two roads respectively. After an examination of the statements from those three roads before mentioned, it did seem to me necessary to try those cases, and I called upon the two gentlemen named for the statements.

Mr. Scarritt consented to furnish the statement for the Alton, and I understand it is now being prepared.

Mr. Lathrop has declined to furnish the statement for the Santa Fe, claiming there was some understanding that the statement should not be furnished.

That is the situation in reference to those two roads: the Alton statement is now being prepared; and the Santa Fe declines to furnish its preliminary statement.

Mr. HAGERMAN: Personally, I don't know what the situation is since I left home last July, but the day before I left (or two days

before), a communication came from Gen. Hadley's office in reference to asking for a statement from the Santa Fe. I had some conference over the 'phone with Mr. Lathrop, and I wrote to the Attorney-General that the statement could not be prepared; but that the matter would be taken up in the future some time.

7046 I presume Mr. Lathrop will want to be heard as to whether that statement ought to be prepared, before your Honor can say there is any necessity for it. I arrived in Chicago yesterday, and Mr. Lathrop is on his vacation, and will not be home for a week. He has been very busy, as was stated before, preparing for the case in Kansas.

The mileage of the Santa Fe in Missouri is comparatively small, as compared with these other roads, and the situation is that it can be better determined (without going to that expense and trouble) after we have taken testimony in these other cases, as to whether or not that statement should be prepared. As the record stands now, there are three cases agreed upon for trial. As to the Santa Fe, it was left open as to whether the statement should be required.

The MASTER: The matter of furnishing these preliminary statements has been wholly a matter of agreement between you gentlemen. I do not see that in the Master is lodged any authority to make an order requiring any statement of that sort. I had hoped that Counsel would agree upon that, or any other matter that would facilitate the hearing; but now if there is a misunderstanding between Counsel as to what that agreement has been or should be, that is a misfortune we are confronted with now, which may possibly cause delay. All I can do in the matter, so far as I can see, is to say that the hearing in the Alton case will immediately follow the hearing in the Missouri Pacific case. And that the same order will be entered in the Santa Fe case unless you have some suggestion to make.

7047 Mr. HAGERMAN: That will work itself out, probably.

Mr. HADLEY: I would like to suggest, referring to what your Honor said about the order, that I think what was agreed upon in open court before your Honor, your Honor has power to make an order in.

When this case first came up, in April, during the time I was confined to my bed by sickness, those five roads that had been agreed upon between Mr. Hagerman and myself as the roads which should be selected for trial, or among which should be selected the roads for trial, they asked for a continuance until June 11th, in order that statements from all these roads could be prepared. I make this statement from the record in this case, as to what occurred previously. The first continuance was asked by the five roads in order that statements from all of them might be prepared.

Now, when we had the meeting on the 11th of June, which was the date of continuance in order that all these statements might be prepared only one of the roads came forth with a statement (which they had all agreed to have ready at that time), and that was the Wabash.

Mr. HAGERMAN: The Burlington had its statement practically ready at that time.

Mr. HADLEY: The Burlington statement was ready in four or five days. These roads had two continuances, for this express purpose, and it was found that the Missouri Pacific, Alton and Santa Fe had done nothing toward furnishing the statement, to furnish which they had asked the continuance in April.

7048 When we met in June, there was a preliminary conference between counsel, in an ante-room, at which the sole question under discussion was, which roads should be selected for trial. Nothing was said at that conference as to relieving any of these roads from the necessity of furnishing the statement. It was finally said by Mr. Lathrop that they would not select that as one of the roads for trial. But never, until we came before your Honor, was it said that any of these roads should be relieved from the necessity of furnishing the statement which they had agreed to furnish in April, and in order to furnish which they had asked a continuance of nearly two months. Then it was that Mr. Lathrop got up and said he thought his road should not be subjected to the expense of furnishing the statement, unless it was found that that case was going to be tried. Of course it could not be determined by the State as to whether we would insist upon the trial of the Santa Fe and the Alton cases, after the trial of these other cases, until we knew what their statements would show, and that we could only know in case the agreement made in open court was carried out.

To proceed further, when this controversy came up before your Honor, it was finally agreed (and this record so shows), that it was the understanding that I would so far modify the understanding that had been had at the hearing in April as to not require a statement from the Alton and Santa Fe until the statements from the Wabash and the Burlington had been examined. Then, if I should ask for a statement from those two roads, they would be furnished.

7049 And the record shows that understanding was arrived at in open court. I contend, your Honor has authority, as any court has authority, to require and order the carrying out of agreements made between Counsel in reference to trial of a cause, made in open court; and I contend that in open court the Santa Fe has on two occasions agreed to furnish a statement, in order to expedite the hearing of this cause; and in order to secure a continuance, they have asked for a continuance in order that such a statement might be furnished. After they have secured six months' delay in order to furnish this statement, that they should come in now and say, "We will not furnish the statement,"—I say is not only a breach of good faith, but is doing something which your Honor has a right to correct by an order. In point of fact, this was done in open court, and as the ground for a continuance, I think we have a right to ask, and I do ask, that an order be made that the statement of the Santa Fe be prepared, in accordance with the agreement made in open court, upon which understanding a continuance was had for a period of almost six months.

Mr. HAGERMAN: Fortunately, we do not have to depend upon recollection as to what took place at the meeting in June. A record

was made at that time by the stenographer taking down what was said.

There was an understanding that three roads should prepare statements, namely, the Burlington, Wabash and Missouri Pacific. Mr. Lathrop expressly stated, as he had stated in April, that his road was in a little different situation for making a statement that the
7050 other roads, by reason of the fact that in the test case in Kansas the burden was placed upon the Santa Fe, and its accounting force was engaged in that work.

Now the statement is made in this record here (indicating):

"Mr. LATHROP: This is a tentative agreement not binding upon anybody. Try these cases, and it may be that as a result of that trial, it is not at all unlikely, that from the standpoint of the State and from the standpoint of the railroads those three cases will be typical of the railroad situation in the State of Missouri. Those are the most favorable cases so far as the State is concerned. There is a chance that they would be willing to stand by those three cases, and that we will be willing to stand by them. The only object in selecting these three roads was to save the expense to the other railroads of preparing these expensive statements. Why not let this be carried forward in the probability that in due time—neither one to be bound now, this law shall stand or fail by what is shown in these three cases. No injury is done to any one, for the reason that if, upon the completion of the hearing in these three cases, it is necessary to go on and get even fifteen additional statements, the delay would not be over sixty or ninety days, and in a controversy of this magnitude this amount of time is not unreasonable. I am satisfied your Honor would be exercising wise discretion, perfectly within the purview of the order, and one of the Judge of the Court would make, if you felt unwilling to make such an order in this case, that upon matters between Counsel, about which there is no dispute, that the statements of the other two roads (or the other fifteen roads) might well be held in abeyance, until the testimony is in on the three roads which all agree are typical as to the handling of the local business in this State."

Now, there is another place in this record, which I thought was in this connection, in which he states this Kansas situation.

Mr. HADLEY: There is no denial that he made that reference.

Mr. HAGERMAN: No agreement was made to do it. It
7051 was left to be determined between counsel in the future; and up to the latter part of July the statement was not called for: when it was called for, it was not given.

I agree with your Honor that the only thing you can do, under the order of court appointing you, is to set this case down for hearing. I think practically it will work itself out. We will know, and the State will know, when we get through taking the testimony in the Wabash and the Burlington cases, let alone the Missouri Pacific, whether it will be necessary to go on with the trial of the Santa Fe case.

Mr. Hadley is not asking for this statement with the idea of proceeding with the trial of that case, but is asking for the purpose of getting some kind of an order.

Mr. HADLEY: I expect to try it.

Mr. HAGERMAN: You said you did not know if it would be tried, and would not know until after the other cases were tried. I thought you wanted the statement, to be investigating it.

The point I make is, If your Honor is going to exercise any discretion, let Mr. Lathrop come here and make a showing. But, better still, in compliance with the order appointing you, all you have to do is to set the case down for trial; and then Counsel will get together, and if their case is really to be tried they will see if the matter is in shape. By the time you get through with these other cases, if it is the intention to try the Santa Fe Case, then they will have the statement ready. But if the law is confiscatory in the matter
7052 of these large roads, of course it is confiscatory as to the smaller ones, like the Santa Fe.

The MASTER: I am not disposed to sit here as an arbitrator, and settle difficulties or misunderstandings between Counsel; but, that there is some misunderstanding is obvious.

I am appointed to try these cases, and, so far as the Master is concerned, he expects to try each one of them, and is now endeavoring to fix an order by which they will be called for trial. I should regret exceedingly if there should be any misunderstanding of Counsel, and especially a misunderstanding of Counsel that would result in further delay. In any event, I shall certainly expect to call the Santa Fe case for trial at the conclusion of the hearing in the other cases, which, by agreement of counsel, have precedence over that case; I do not see what else I can do under the circumstances.

It is for the Complainant, as a matter of course, to make out his case. If Complainant's Counsel, and Defendant's Counsel, can agree among themselves as to the matter of proof, statements, or otherwise, that will facilitate the hearing, I shall be very glad to have them do so. But unless they do agree, I do not see that the Master has any power to enforce such an agreement, or to compel them to make it.

Mr. HADLEY: It was the understanding had between all parties that these cases could not be ready for trial without the preparation of a statement showing the amount of compensation from the handling of local business, and the amount of expense in conduct-
7053 ing such transportation.

The reason of the application for the continuance in April was in order that these statements should be furnished by the five roads. Now has anything occurred since then that would relieve any one of these five roads from compliance with that agreement, by which they asked for and secured a continuance? My contention is that there has not.

The MASTER: Suppose your contention is correct, what would be the effect, so far as the Master is concerned?

Mr. HADLEY: My contention is, as your Honor indicated at the last hearing, that you would have a right now to make an order that the Santa Fe should proceed to prepare the statement which it had agreed to prepare, that agreement being made in open court,

and for which they had asked a continuance to June 11th, and that they furnish it to the State within a certain time.

The MASTER: The difficulty is, making an order which if disobeyed could not be enforced by a penalty of some sort or other.

Mr. HADLEY: I think the Court has always inherent power to make an order, as to what was agreed upon in open court between Counsel.

Your Honor said in June, when Mr. Hagerman asked you to make an order that a statement from the Santa Fe would not be required—setting aside the understanding had in April:

"I should not feel authorized to make any order in respect to delaying the statements to be prepared by the Santa Fe and Alton roads."

7054 "Mr. JACKSON: Was there an order made at the previous hearing?"

"The MASTER: No order was made, but an effort was made at an agreement, and I supposed an agreement had been reached."

"Mr. JACKSON: We understood they would select three roads to be heard here, and then leave it to the Attorney-General to determine whether the other cases should be proceeded with."

"The MASTER: I protested against the length of time suggested, but on explanation it seemed reasonable, and any objection was withdrawn. It was the suggestion of railroad Counsel themselves that they would be ready for trial by the 11th of June."

"Mr. HADLEY: The only remaining question is the matter of the order permitting us to examine the books——"

Oh, that refers to another matter—I will not read that.

* * * * * * *

"The MASTER: Let us have some understanding as to the Santa Fe and Chicago & Alton. Counsel for the State are insisting that these two roads should go ahead at once and prepare their statements, and have them ready at the earliest possible moment?"

"Mr. HADLEY: Yes sir. As I have explained to Counsel and the Master why I think the original order in that matter should be carried out."

"The MASTER: In the absence of an agreement, I would not be authorized to make an order postponing the preparation of the case for trial."

My contention is that we all, in June, treated what had occurred in April as an order that they would have that continuance upon the understanding that they would prepare their statements.

"The MASTER: In the absence of an agreement, I would not be authorized to make an order postponing the preparation of the case for trial. Presumably all of them would be ready for trial, and in the absence of an agreement I should expect them all to be

7055 ready for trial. If Counsel could not agree, I should not feel authorized to make an order postponing the preparation for trial."

"Mr. HADLEY: Mr. Scarritt has suggested and I am willing to agree to that, that after our experts have examined the statements

in the other two cases, then I may not feel it necessary to insist upon this."

"The MASTER: It does not take thirty days long to come around. That will be only a month later in the year any how. Why not let the matter in respect to the Chicago & Alton and Santa Fe roads remain just as it is now until that time, and then you can very much more intelligently determine whether you will be in a position to insist upon statements being made or not. You might save considerable cost, in case you conclude you do not need them."

"Mr. HADLEY: I cannot decide that without seeing the statements, because what might not be remunerative for one road might be remunerative for the other. The Chicago & Alton road is not built particularly with reference to the towns in the State, nor is the Santa Fe——"

I wish to say in that connection, that it has come to me from reliable, expert sources, that the cost of handling freight by the Santa Fe road is less than any road in the State. That is, that while their local business does not compare with that of the Missouri Pacific, or the Burlington, the expense of handling freight upon their road, in this State, is less than any other. And this is a circumstance which causes me now to insist upon that which will make the Santa Fe ready for trial when we have completed the trial of these other cases. And, in addition to that, I think Counsel for these other roads, particularly the Burlington, who I think will not have a different understanding in this matter than I have, have a right to have these statements, as we have a right, for a basis of comparison and illustration.

I wish to make a distinction here;—not because in the
7056 absence of this preliminary hearing we would have any right to insist upon the statement being furnished—I do not claim as an abstract proposition, that your Honor would have a right to require a Complainant coming into Court, to furnish the State with a resumé, recapitulation, or compilation, as to the effect of the Maximum Freight Rate Law upon their earning capacity—no such right would exist. But when they came in and agreed, in the month of April, and asked a continuance on account of it, to furnish this statement, then I think it does invest your Honor with some power in the premises different from what you would have had in the absence of such an understanding. If there were to be no exchange of preliminary investigations in this matter, this case could have proceeded to trial a year ago, or immediately after the settlement of the pleadings, as easily as it could now, in the shape the matter was.

But reading further from the record, in order that the force of what I am intending to say, your Honor will understand is based upon the legal effect of what I consider was said and done in June——

"Mr. HADLEY (continuing:) The situation is strikingly dissimilar to that of the Burlington and the Wabash, which touch all the principal towns in the state. Mr. Scarritt has suggested, which is satisfactory to me, that as soon as I have examined the two state-

ments I shall then notify them whether I will insist upon those two roads proceeding. But it shall stand in abeyance until I notify them that they shall proceed, and then they will proceed with all possible expedition to prepare them."

Mr. PARKER: Was that understood by Mr. Lathrop? He repudiated it, and with a pretty white face, too.

7057 Mr. HADLEY: If you can find any repudiation in this record——

Mr. PARKER: He must consent to it, in order to have an agreement.

Mr. HADLEY: I was insisting that the agreement had in April should be carried out. Mr. Scarritt, representing himself and Mr. Lathrop, as I understood, asked that the agreement be modified in the manner indicated. I consented. Upon my consent, no word of protest was heard from Mr. Scarritt of Mr. Lathrop. It was the suggestion of Mr. Scarritt himself that these two roads should not be tried. He was asking that the statements for the Alton and the Santa Fe should not be prepared.

Mr. HAGERMAN: It was left without any understanding.

The MASTER: The question is not now before the Master as to whether there was an agreement, or what that agreement was. It appears upon that record, and you can hardly expect it to appear otherwise, that the Master in making these preliminary orders would not make them except upon agreement of Counsel. The Master would not undertake to make such an order except upon agreement of counsel. Of course, upon the agreement of Counsel, I will enter any order that may be agreed to.

The question arises now, what the agreement was, or if anybody has violated it, or what the penalty would be in case there would be a violation. I can determine those matters when the case comes on for hearing.

Mr. HAGERMAN: I think it only fair to Mr. Lathrop to
7058 say that there was a misunderstanding about the April meeting. In June you very wisely had everything taken down. In April the adjournment was taken to June, five roads were selected, the understanding being that the railroads had the right to select the roads for trial, the order requiring you to try those that would be agreed upon. These five roads got together, and agreed upon the Burlington and the Wabash, and excused Mr. Lathrop and these others from making the statement. When they came there, that was where the misunderstanding arose. Mr. Hadley's understanding was that the five roads should be selected out of all the roads, and afterwards the State should select three out of the five. The railroads understood that they were to select the roads to be tried. I merely say that because so much has been said about Mr. Lathrop violating the agreement, and he is not here to speak for himself.

Mr. HADLEY: As I said before, my request for an order that the Santa Fe do prepare for trial, is because in reading this record I find Mr. Lathrop asked your Honor for an order to relieve him from giving this statement, so I will ask for an order to permit the State to examine the books of the Santa Fe, so that the State will be ready

for trial of that case immediately upon the completion of the three cases before mentioned.

It has been decided that a Master has a right to make an order to permit the examination of books and records in a case like this.

7059 While your Honor has indicated that you do not feel that you have a right to compel the Santa Fe to submit statement to us, the law is clear that you may make an order permitting us to examine their books and records. We ask for such an order, to permit *is* to examine their books and records, so that we will be ready for trial, and be able to put the Santa Fe in a position where proceeding with the trial will not be dependent upon their furnishing a statement.

Mr. HAGERMAN: The law is clear as to an application being made for such an order.

I can say very frankly that if there is any chance that the Santa Fe case will go to trial, there will be no trouble about the furnishing of this statement: There is no necessity for an order now.

The MASTER: There can be no doubt, and I suppose it will not be controverted, that the State has a perfect right to demand an investigation of the books and records of the railroad company, for the purpose of preparing itself for cross-examination, or for the introduction of further testimony.

I hardly thing, Mr. Hadley, that now would be the proper time to ask for such an order. I am very much inclined to think that a statement that has been the subject of an agreement, whatever the agreement was, will be forthcoming in due time, and that will probably answer your purpose better than this order.

Mr. HADLEY: If I had any hope that the agreement would be carried out, I would not invoke an order of the Court to get ready for the trial of the Santa Fe case. But Counsel, much to my surprise and regret, claim that there is no obligation upon the Santa

7060 Fe, by reason of anything that has been said or done, to furnish any statement. Now when we finish with these other cases, and then go into the Santa Fe case, they will ask for a continuance of thirty to sixty days, in order to furnish us that statement. If you insist upon this application for an order being in writing, and there is no question about your right to do so, we will of course comply. If there is any objection to the form of the order now, we will make it in order and verify it by affidavit, asking for an order that we may examine the books and papers of the Santa Fe. We cannot rely upon an agreement that Counsel repudiate, or say does not exist.

The MASTER: If up to the present time there has been a misunderstanding as to whether it was the duty of the Santa Fe, under this agreement, to furnish this statement, there can certainly be no misunderstanding now as to its being demanded.

Mr. HADLEY: No sir, I hope not.

The MASTER: But that the Santa Fe should claim some special advantage not accorded to these other roads, I can hardly believe. Therefore, I suggest that the matter stand just as it is until our next meeting after today, for the hearing in the Burlington case.

Then an order will be entered in the Santa Fe case, by agreement or otherwise.

Mr. HADLEY: I am very willing to accede to your Honor's suggestion.

The MASTER: The further hearing of the Santa Fe case is adjourned, to be resumed at the time and place, and immediately before the hearing of the case of the Burlington, after the
7061 adjournment of that case had today.

Mr. HAGERMAN: There has already been an order made that the Santa Fe case will not be called for trial until after the completion of the Alton case.

The MASTER: The Santa Fe case will be called immediately before taking up for trial the Chicago, Burlington & Quincy case, on Monday, September 17th, 1906, at 209 Adams Street, in the City of Chicago, Illinois, for the purpose of filing or hearing any preliminary motions that may be made at that time, and not for the purpose or expectation of a trial. Counsel for the State and for the Santa Fe will be required to attend at that time, without further notice.

7062 CHICAGO, ILLS., *September* 17, 1906.

Met pursuant to adjournment above on September 17, 1906, at No. 209 Adams Street in the City of Chicago, Illinois.

Present: Hon. F. L. Schofield, Special Master.

Mr. Gardiner Lathrop appeared in behalf of the Complainant.

Messrs. Herbert S. Hadley, Attorney General, and Mr. S. B. Ladd, appeared in behalf of the Defendants.

The following proceedings were had:

The MASTER: I will call first the case of the Atchison, Topeka & Santa Fe Railroad Company, to take up any preliminary motions that may be desired.

General HADLEY: At the last hearing in St. Louis there was nobody present representing the Santa Fe Railroad who offered to speak for it, as I understand, at that time. I will say now that the Santa Fe Railroad Company is represented here by its general solicitor, and the State thinks he should present any matter that he may care to present with reference to it, as I think we should know what the attitude of the Santa Fe Railroad is with reference to presenting its statement, and proceed to get ready for the trial of the case.

The MASTER: What have you to say in reply to that suggestion, Mr. Lathrop?

Mr. LATHROP: If your Honor pleases, there is a good deal I might say, but I shall content myself for the present by simply saying that the attack which my long time personal friend, the Attorney
7063 General, saw fit to make upon me during my absence, I consider entirely unwarranted by the record in this particular case. I was surprised and grieved, in the first place, in view of the correspondence that had been had in regard to this very matter, that he should make such an attack at all; and more surprised that he should make an attack during my absence on a vacation. I should

have thought just as much of stabbing him in the back, when he was off on his vacation, as I would expect him to attack me in my absence.

Fortunately, I had some friends present at the hearing who knew the record better even than the Attorney General did. They spoke for me. Their defense, if I needed any, was ample.

So far as an attack on my good faith is concerned after a practice at the bar of nearly one third of a century, it remained for my young friend, in his exalted station, for the first time to make such an attack in the Court room. My relations with the Master have been of such a nature that I felt that he knew me well enough, if the Attorney General did not, after his years of acquaintance with the standing I have among my fellow men, by trying to do my duty—I say, the Master knows me well enough to know that my right arm might be palsied before I would intentionally commit a breach of good faith.

General HADLEY: If your Honor pleases, I am certainly surprised at the statement made by the representative of the Santa Fe Railroad. And I think that the gentleman is altogether too sensitive,—over-sensitive. If there was anything I said at the previous hearing that has impressed him as a personal attack upon him, he
7064 certainly enjoys the peculiar distinction of being alone in that opinion. There was no such suggestion among his excellent friends, who were present at that time, and to whom he refers, that I indulged in such a personal attack. I certainly had no intention of making a personal attack on the representative of the Santa Fe Railroad. I was certainly under the impression that an agreement was made on the 10th of June to furnish the statement referred to. I was not present at the time that agreement was made, but I was informed by Mr. Ladd, Mr. Kennish and Mr. Lake, by Mr. Hagerman and Judge Spencer, and other representatives of railroad companies involved in this litigation, that such was the agreement. There can be no question but that agreement was made, and if it was not kept it was a breach of faith on the part of the representative of the Santa Fe railroad; but whether that was through failure of understanding the agreement as the person who informed understood it, I cannot undertake to say. I do not undertake to say it now, and simply recite that what everybody understood was the agreement; so far as my information went, was not kept by the representative of the Santa Fe. As to what was the agreement had on the tenth of June, was a matter of controversy, it seems, between our side and the opposing side.

My understanding was then, that it was the agreement that if after an examination of the Burlington and Wabash statements I then desired a statement from the Officers of the Santa Fe Railroad, it would be forthcoming. Of the three parties interested in the subject matter of that agreement, Mr. Lathrop, Mr. Scarritt and myself, Judge Scarritt and myself, so understood it, and Mr. Lathrop
7065 did not so understand it—at least I should judge so from his statement now. At all events, I judge so from the correspondence that passed between my office and his office during my absence. So as to whether that failure to keep what I thought was

an agreement was due to a failure to understand the agreement, or due to anything else, of course I have not charged, and am not here now to charge. I am not accustomed to try law suits by indulging in personalities. I have not undertaken to question the honor or integrity of counsel. I do not feel that that would serve any profitable purpose in this litigation.

The Santa Fe Railroad, in the month of June, 1905, went into the United States Court and asked the exercise of the unusual power of the Court to interfere with the Act of the Legislative body of the State of Missouri, and asked that this Act should be held in abeyance. Over a year has passed and they have done nothing, that I have seen, to prepare for trial. It seems there has been some misunderstanding as to what has been agreed upon between Counsel on the other side as to why they have not done anything to prepare for trial. At least it is plain that there is.

In view of that situation, of course, Counsel cannot agree upon what has been understood, and the only thing to do is to go ahead and treat the case as if there had been no agreement. I am prepared to do that.

Counsel in response to the request of the Master as to what would be their attitude as to proceeding with the trial of this case, has simply indulged in a refutation of what it was conceived was
7066 a personal attack from me. I again disclaim any intention of making a personal attack on any one.

I am not as old in years, or as experienced in practice, as the gentleman who enjoys the exalted position of General Solicitor of a great railroad company. But in my experience I have found that lawyers of the highest integrity and the best of intentions, sometimes disagree as to what are the facts of an agreement. They do so with the best of intentions on both sides. I have had that occur sometimes, and never thought it was advisable or profitable to make them the subject of personalities—and I has no disposition to do so now.

I am not retracting anything I have said, because I have said only what I have understood from the conversation that passed in my presence, and what was told me by my associates as to the agreement in this case. The good faith of Counsel was not so much in question as the carrying out of agreements which I understood were made. If those agreements were not made, and Counsel did not understand them, of course there has been no breach of good faith. If they were, Your Honor can say as to the reason why they were not executed.

The position the State will take in reference to this Santa Fe case will depend upon what is now the attitude of the Counsel in carrying out what we consider was an agreement. If Counsel says the agreement does not exist, doubtless, we are powerless to enforce our view, or he to enforce his view, except by considering that the case is free from agreement. If that is the attitude in the case, of course we will have to meet that situation as the case comes up for hearing.

7067 Mr. LADD: If your Honor please, I was not present at the last meeting at St. Louis so I do not know what occurred there, except by an examination of the record. But I understood,—and I always stated as my understanding, of course,—that when we

met in St. Louis before, it was either expressly or tacitly agreed, (at all events it was my understanding) that Mr. Lathrop should not at that time,—as he said he had not already begun the work—begin the work of preparing these statements, for reasons that were stated.

The Wabash Company handed us their statement the next morninf, and it was said that the Burlington statement was practically prepared, and would be given us in two or three days. That was done.

I think there is a little confusion, but my understanding was that Mr. Scarritt for the Alton, and Mr. Lathrop for the Santa Fe, should commence the preparation of their statement when we notified them, either that we had looked over the Burlington and the Wabash statement, or possibly, the Burlington, Wabash and Missouri Pacific statement.

Now, we did not get the Missouri Pacific statement until a month or possibly six weeks ago.

General HADLEY: The records show that the statement should be called for after the examination of two.

Mr. LADD: Well, suppose it was after the examination of the three. We have had the Missouri Pacific statement, I should say, perhaps six weeks.

Now I want to appeal to Mr. Lathrop. We could, I suppose,—that is, it is within the power of the court to make an order which
7068 would give us the right to examine the books and papers of the Santa Fe Company, now, or whenever the Court thought it was proper. But that would impose an immense labor upon us, which it seems to me is entirely unnecessary. At the same time, if we wait for a statement from you, or what would be equivalent to a statement, the testimony of your witnesses, after we get into the trial of your case, then the further examination and hearing has to — postponed until our expert can examine your books and see how they correspond with the statement. That would cause delay. Could you now now undertake to commence the preparation of your statement and have it prepared as soon as can be, and give it to us as soon as you can, and not wait until your case is called for trial, because that will inevitably cause delay.

Mr. LATHROP: If your Honor please, inasmuch as the Attorney General is not conscious, as he says, of having made any reflection upon my good faith, when I was not present to answer it, and inasmuch as he says that none of my brothers were impressed with any such impression, I perhaps, would be guilty of having indulged in undue heat, if there had not been a record of what the Attorney General (unconsciously doubtless) actually did say, when he made the attack upon me while I was away on a short vacation——

The MASTER: I do not believe it would further these cases, or answer any well defined purpose, to sit in judgment upon a personal controversy between you and the Attorney General I would not care to do that.

Mr. LATHROP: I am not going to spend but a moment upon it. You did not stop the Attorney General in my ab-
7069 sence. You permitted him, without rebuke, to charge me with a breach of good faith. Haven't I a right, in a Court of Jus-

tice, to say why I have been outraged, when he says that he does not think that he made any attack upon my good faith, and that my fellows did not notice it? And the record, which is the only witness I have, says in regard to our case that "After they have secured six months' delay in order to furnish this statement, that they should come in now and say 'We will not furnish the statement,' I say, is not only a breach of good faith, but is doing something which your Honor has a right to correct by an order."

Now I say I am perfectly willing to accept the statement of the Attorney General that he was not conscious of having made such an attack, and, if he made an attack upon my good faith, that he regrets it. I only call attention to it as a justification for my sense of professional outrage, that after nearly one-third of a century at the Bar, in my absence, my personal friend, whom I defended when others spoke of his seeking the lime-light of newspaper publicity,—for him with whom I had stood shoulder to shoulder, politically and personally, should have been the first man occupying any exalted office in my State to attack me. But I accept what he has said in his defense.

The MASTER: I will say this: It is not an unusual thing, in the administration of justice, and the trial of cases, for Attorneys in the heat of discussion to make unguarded remarks. Whatever the precise language of the Attorney General may have been, I would not construe his remarks as susceptible of the interpretation which you put upon them. I should have felt personally called upon,
7070 in your absence, to defend you against any personal attack or breach of not only personal propriety but professional propriety. But I did not interpret the language of the Attorney General in that way, and hence, did not feel called upon to rebuke him or suggest that he be more moderate in his language.

Now, there has been a misunderstanding. Let us address ourselves to that.

Mr. LATHROP: In view of that misunderstanding, I hope that my position may be fully and completely understood, and that I may convince your Honor and learned Counsel upon the other side, if I may that there is no disposition whatever on the part of the Santa Fe Railroad Company to delay this litigation to throw any stumbling block in the way of the State but to proceed, as I take it, in a decent and orderly manner under the order of the Court which has been made in this case. It will not be necessary, Mr. Ladd, when the time comes, for you to ask as order of the Court or the Master for your expert to examine our books and papers. At the proper time a statement will be prepared and will be placed in your hands, and all the facilities of our office, and all our books, will be open to the inspection of your expert.

Now, I must ask your Honor to go back, if you please, to the meeting in March. The Attorney General was not present at that meeting, by reason of illness. Prior to that time the Attorney General himself, in a conference with Mr. Hagerman, had proposed that five roads be designated, out of which two should be selected for trial. That if these two proved to be typical cases, at the conclusion of the

evidence and, possibly, the argument, they might be agreed
7071 upon by Counsel, on the respective sides to go forward to the Court of Last Resort, as test cases, determinative of all the others.

Mr. Hagerman's definite understanding was, which he at once communicated to all these gentlemen here present, and to others, that the railroad should designate these two out of the five which they were willing to have first tried.

And it was solely with that end in view that at the March meeting we asked until June for the preparation of the statements, that we might exhibit them to each other and determine for ourselves which two of the five roads should be named to the Attorney General as the ones to be tried.

Now as absolutely corroborative evidence that at least an Assistant Attorney General did understand that agreement exactly as Mr. Hagerman did, and did understand it exactly as Mr. Hagerman communicated it to all the railroad lawyers in this case, Mr. Rush C. Lake, representing the Attorney General at the March hearing, said to Mr. Hagerman and to Judge Spencer, "Any two of those five roads will be satisfactory to the State, provided they are not both Gould roads, and if you selected the Wabash and the Missouri Pacific, it might subject us to criticism for accepting two Gould roads for trial cases; but outside those two, any two you designate will be satisfactory to the State.

The meeting, as your Honor may remember, was adjourned to the seventh of June, after Counsel gave their reasons for the time necessary for the preparation of the statement. You will recall very well that I announced to your Honor at that time that we were
then preparing, and would be for some time to come engaged
7072 in the preparation of statistics for the Kansas case, in which our company has been designated to take the laboring oar.

After that adjournment, our labor still continuing, with our understanding that we were to designate the two out of the five cases to be tried here, it was agreed between Counsel for the other roads and myself that on account of our being still engaged in the Kansas case, and having undertaken that labor, that we should be eliminated as one of the five roads out of which two roads were to be selected.

Then, following the suggestion of Assistant Attorney General Lake, that they should not both be Gould roads, the Burlington was designated by us, among ourselves, as one of the roads to be selected, and it was left at first undetermined whether the other should be the Wabash or the Missouri Pacific. It was finally concluded that the Wabash should be the second road.

Things were in that condition when we met in St. Louis on the seventh of June, 1906. Your Honor will recall that you were waiting out in the Court room pending quite a protracted conference of Counsel on both sides, in an anteroom, or, rather, the Clerk's office of the United States Court of Appeals.

When we met, nearly all of the railroad lawyers were present, the Attorney General's office being represented by the three learned and honorable gentlemen here present, and also by Mr. Lake; and Mr.

Hagerman announced to the Attorney General that "We have designated, Mr. Attorney General, out of the five roads you have named, the Burlington and the Wabash." The Attorney General said "I do not understand the agreement that way,—that you
7073 were to select the two out of the five. My understanding was that I was to select the two out of the five roads."

Mr. HAGERMAN: That we would agree?

Mr. LATHROP: That we were to agree, or at any rate he was to have a say in what two of the five should be selected. I then said "Mr. Attorney General, our road ought not to be included as one of those five, because we have been and are now engaged in the preparation of statistics in the Kansas case, having undertaken the laboring oar in the litigation in that State. And the Attorney General replied,—and I appeal to every man here present, sitting on this side of the Counsel table, if I do not quote him correctly—"That is a just excuse for you, Mr. Lathrop, why your case should be eliminated."

Then there was some discussion as to whether we had a right to designate the two roads, or whether the Attorney General should be a party to that designation. And we did not reach an agreement about it. Mr. Hadley said, "I do not think the Wabash ought to be selected as one of the two cases to be tried, because Mr. Ramsey claims, in his retirement from the Wabash, that Mr. Gould in order to shrink the earnings of the Wabash, had diverted a large part of its traffic, during the year or two previous, to the Missouri Pacific."

After some further conference between us, the Attorney General and his associates withdrew for a conference by themselves. In due time they returned, and the Attorney General solemnly and unequivocally announced to us, "If you will add the Missouri Pacific to the two roads you have designated, we will agree to take those three roads as typical cases and try them."

7074 There is no dispute about that part of the agreement, as I will show your Honor out of the Attorney-General's own lips, in his discussion before you, that we did then and there agree to try those three cases, and those alone.

What was the effect of that?

He had designated in March that he had selected five out of the eighteen roads, out of which two were to be designated, as we thought by us as he claimed, by agreement with him. What was the result of the final agreement selecting the three? The other two cases were relegated to the thirteen, thus leaving the fifteen cases awaiting a further order of this court before the trial of them could be entered into. Am I right about that?

Here is the order of reference, the first paragraph of which says:

"It is accordingly ordered that the above numbered cases be, and they are hereby, referred to Frank L. Schofield, Esq., as Special Master, with directions to take the evidence orally on the issues involved, and to report his findings of facts thereon to the Court at the earliest time practicable, together with the evidence——"

Now listen to this language if your Honor pleases. There has been no occasion to call it to your specific attention before——

"He shall so hear, and only until the Court otherwise orders, such above numbered cases as the parties by their Counsel shall at the beginning of the inquiry agree to be heard."

Does learned Counsel claim that as Solicitor of the Santa Fe Railroad I ever agreed, that my case should be one of the three to be heard? Does he claim that my case was one of the three that was selected and so announced to the Court? If he does, the
7075 record out of his own mouth says "We have selected the Burlington, Wabash and the Missouri Pacific."

And the other thirteen cases await the further order of the Court. And why? Here is a principle involved in this fight. It is not to the interest of the State nor is it to the interest of the litigant, that a large amount of unnecessary expense and cost should be piled up. Why, then, have counsel selected certain typical cases to be first tried? Because, when the record is in, in those cases, Counsel on both sides may agree that they are typical of the principle, from one standpoint or another, and go forward to the Court of final determination. If they disagree about them, one side claiming they are typical and the other side claiming that they are not typical, then they can appeal to the Court to make an order saying whether there should be any further order for the trial of any other cases.

Now what is the result?

It is not only a matter of railroad learning, it is a matter of common learning, understood not alone by railway commissioners, not alone by railroad lawyers, not alone by lawyers at the Bar, not alone by Judges on the Bench, but it is understood by all intelligent men in this railway age of ours, that the denser the traffic, the cheaper the cost of transportation. That is the reason why in the thickly settled communities in this country railroads can afford to carry passengers at two cents a mile, and sometimes less; while in the more sparsely settled parts of the country the railroad cannot do it.

That is why the railroads in the more densely populated
7076 parts of the country can afford to make lower rates than other railroads not so fortunately situated.

Here we have without dispute, in order to be fair, agreed with learned Counsel for the State, that the three strongest railroads, from their point of view, the railroads having the largest and densest local traffic in our State, have been selected by agreement, as the test cases first to be tried and heard by the Master. So that, as Mr. Hagerman well said at the hearing in September, if the three strongest local roads can show that the rates are confiscatory, it must necessarily follow that the weaker roads, so far as local business is concerned, must likewise find those rates to be confiscatory.

Now let us see whether, pursuant to that order, I am right in my statement that the only claim made, as I take it, and the only claim to be made now,—because it was repeated in September, and I think it will be adhered to, that the only cases that have been designated by Counsel by agreement, at the beginning of the inquiry, to be heard by your Honor are the Burlington, The Wabash and the Missouri Pacific. On page two of the record at the bottom I will read as follows:

Mr. HADLEY: At the first hearing in this matter I was unavoid-

ably prevented from being present. It is my understanding, from the statement of my associates, that at that time your Honor directed the five roads, the Santa Fe, the Missouri Pacific, the Wabash, The Chicago & Alton, and the Burlington, to have a statement prepared to be submitted at this time, in order that after an examination of that statement counsel might determine whether they could agree upon the two roads to be tried first, with the idea that they might be typical of the railroad situation in the State, and be determinative of the entire litigation of the State; or if counsel could determine from that trial whether it would be advisable to try any other railroad or not.

7077 We are now informed that only one of those roads has prepared a statement, the Wabash Railroad, and consequently, we are handicapped in determining, from our standpoint, which roads should be tried first, because we do not know the result of the examination, from the standpoint of the Companies.

But after some conference between counsel, it has been suggested, and seems to be mutually satisfactory, that we should proceed first, in the order named, with the trial of the Burlington, the Wabash and the Missouri Pacific; and that the statements of those roads that have not yet been prepared, will be prepared with all possible expedition?

I think in fairness to the Master and to the counsel for the State, these statements should be prepared at the earliest possible moment, and then we can determine whether it will be necessary to try any other cases than those mentioned.

But it is not the understanding that the trial of these cases is determinative of the litigation, or that they are admitted to be test cases; but that we may all understand the railroad situation, as shown by the three roads mentioned."

Then in response to some challenge of Mr. Hadley's for a statement from us, I said:

"In behalf of the Santa Fe, I wish to say, Your Honor, you will recall that at the April hearing I stated to you, in the presence of Counsel, that the Santa Fe, as one of the five roads, was somewhat handicapped at the present time in coming immediately forward, or forward up until the 11th of June, with the preparation of our statement, for the reason that by designation of the State authorities of Kansas, and of the different railroads in the State of Kansas, we had been selected to carry the laboring oar in that litigation.

The MASTER: I remember that very well.

Mr. LATHROP: Our entire Auditing and Statistical force not only were, but they are still engaged on that work. That was my statement then, and which I have repeated to General Hadley today, as he was not present at that meeting, which was satisfactory to him, as a reason why we were not ready today. So if it becomes necessary, after these other three roads have their cases put in,—if it is necessary in order to reach a final determination as to the principle involved in these cases, for us to prepare our statement, we shall do it."

I repeat that offer now. It is all that the order of the Court requires of us. You might as well say that these other thirteen roads

should prepare their statements today, as that our road
7078 should prepare its statement. We stand in the same class with them, after the three roads at the beginning of the hearing were agreed upon for trial.

(Counsel here resumes reading from the record).

"I thought it was fair to make this statement in order that it might appear upon the record that we really were not in default, because we have been steadily at work on the Kansas case.

Mr. HADLEY: I think it is important we should not have any misunderstanding on that fact. Counsel for the state do not desire to suggest to your Honor, or opposing counsel, that they should be satisfied with the trial of these three cases."

What then remains for them, if they are not satisfied after they try those three cases? To go to the Court and make a showing that these three cases are not typical, as he puts it as well as I, of the railroad situation in this State under this Statute. That has not been done.

"In the order of April 11th. it was suggested that on the 11th of June the statement of local earnings upon these five roads should be filed. That has not been done. We cannot determine whether we want to try more than three of these roads, until we see those statements. It may be that the statement of the Santa Fe and the statement of the Alton will cause the representatives of the State to ask your Honor to go at once into the trial of the others. It may be that as soon as we have examined the statements of the Wabash, Burlington and Missouri Pacific, we will at once ask your Honor to permit our experts to go into an examination of the other two lines."

"I am satisfied to proceed with the trial of the three roads named, but I think we should have the statements of all five roads.

The MASTER: You are not prepared to agree with the suggestion of Mr. Lathrop, that the statement of the Santa Fe may be delayed until after the trial of the other three roads?

Mr. HADLEY: No, your Honor, I think we should have the statements from each of these five roads at the earliest moment they can be prepared. It may be that when we see those statements we shall not care to proceed with the trial of those two."

Now, I submit, that under the order of this Court, the
7079 agreement to try three of these cases relegated our case back to the other thirteen. Is it fair to insist, at this juncture, before the trial of those cases which they may determine under the evidence is best for them, is it fair to ask us, any more than Counsel of other roads, to go to thousands and perhaps tens of thonsands of dollars of expense in preparing a statement that may never be used, as the Attorney General frankly says?

Now, Mr. Clardy intervened and said:

"I don't understand that the statements of the five roads should be presented at this time."

He was in it, so he was not speaking to escape himself. He had agreed with the rest of us that the Missouri Pacific should be one of the five. But he saw the injustice of the demand.

Mr. Clardy said:

"I did not understand that the statements of the five roads should be presented at this time. My understanding was, that the Attorney General stated that the trial of any two of the five cases would be satisfactory to him. One of the Gould Lines had been selected, and we did not suppose that two of them would be required, and so we made no preparation for the Missouri Pacific; we came here confidently expecting that the Wabash and some other road would be selected. Now Mr. Hadley elects to proceed against the Missouri Pacific. I do not offer any objection; I only want to get ready; and I cannot get ready in a few days."

That carries out the idea that we all had, that we were to select two roads to be heard first, between March and June.

The MASTER: That is a pretty clear indication, is it not, that up to that time the road had not been specifically designated and agreed upon for trial?

Mr. LATHROP: That is true, but they had been agreed upon
7080 just before we came into the room, and the Attorney General announced to you that we had agreed upon the Burlington, the Wabash and the Missouri Pacific.

The only point in our conference was, that we claimed we had a right to designate the two roads and he claimed he had a right to participate in that designation; and then, after conference he came back and said "If you add the Missouri Pacific in addition to the Wabash, it will be satisfactory to me." That was satisfactory to us, and he so announced to your Honor.

At that time you said:

The MASTER: That was all gone over very fully and thoroughly at the first meeting of the Master with counsel, and it was thought probable at that time that not all of the five cases would be tried. But my distinct recollection is that five roads would be selected, and from the five so selected the Attorney General might agree that less than the five might be selected for trial."

That is just exactly what he has done, he selected the Missouri Pacific, in addition to the Wabash and the Burlington roads, which we designated.

Now, then, Mr. Clardy again, in answer to some suggestion of the Master as to the preparation of statements by the different roads, says:

"They had it done sufficiently to advise with each other and make the selection of the two roads. But I do not say that the representatives of the State present assented to that selection Mr. Hagerman understood the Attorney General to agree to the proposition I have stated. They disclaim, as I recollect, any knowledge or information on that subject from Mr. Kennish and Mr. Ladd. I only state it as I remember it, and that for the purpose of saying, in perfect good faith, I propose to have the statement of the Missouri Pacific, which is brought in and which I assumed would not be brought in because of the selection by the lawyers of the Wabash, just as soon as I can
get it; and will spare no time and no necessary expenditure of
7081 money to get it. But this gentleman who represents the Wabash, Mr. Minnis, says it requires considerable time and

a great deal of extra money, and I cannot be expected to get it in a week or two. I understood that I would be expected to get it by the time the trial of the other two cases was over, and I think that should be time enough. After these other statements have been examined it won't take long to examine a new one."

The Master then said:

It seems that counsel for the opposing parties have agreed that the cases of only five roads shall be tried. They may hereafter agree upon a lesser number than five, but if they should the cases to be tried shall be selected from the five. That is as far as the agreement has gone, as I understand it.

Mr. LATHROP: I cannot permit that statement to go unchallenged, so far as the Santa Fe road is concerned, for this reason: In the conference this afternoon, when the suggestion was made by Col. Parker that one railroad had taken the laboring oar in the cases in Kansas, of a similar character, I answered that the Santa Fe was that one. Mr. Hadley said he thought it was abundant excuse for the Santa Fe not being ready at the present time, and it was suggested that the Burlington and the Wabash would be the roads selected here. I understood we were to select two out of the five, and that any two would be satisfactory to the State."

This was at that hearing, within thirty minutes after the conference in the other room was had.

"Then after further conference between counsel for the State, Mr. Hadley returned and said that in addition to the Burlington and the Wabash, for certain reasons which were goos and sufficient to them, and which he explained to us, the Missouri Pacific also should be included."

Those reasons were what I have already indicated to your Honor, that Mr. Ramsey claimed that Mr. Gould had diverted the earnings of the Wabash to the Missouri Pacific Railroad Company.

Then the record continues as follows:

"And when we left the conference room we understood—at least I and I believe my associates understood—that the trial of
7082 those three cases should be first had and concluded, and then it should be determined by counsel for the State on their part, and by counsel for the Railroads on their part, whether the record in those cases was satisfactory to both parties, upon which to predicate a final decree and a final adjudication, if necessary, in the Supreme Court of the United States.

It was with that understanding that I came in, and I think that Mr. Hagerman, and the other Railroad representatives, understood the result of that conference exactly as I did.

Now, then, as Mr. Clardy has suggested, the preparation of these statements is a very laborious and a very expensive proceeding. Here are three roads that are certainly typical, so far as local business in Missouri is concerned. They are the roads, if any roads, that earn compensation on local business."

Now, then, whatever view your Honor may take of this matter, there can be no doubt of my position on the seventh of June. In view of that language you cannot claim, judicially or otherwise, nor

can Counsel claim, that I agreed that my road should be one of the roads selected for trial at that time, in the face of an express and emphatic assent that if any road were selected for trial by agreement, the Santa Fe would not be included among them, because, I not only did not agree but I explained by position in as forcible terms as I could, that I did not agree. And under paragraph one of the order appointing your Honor, it is "only such cases, until the Court's further order, that shall be tried, after the parties shall at the beginning of the inquiry agree to be heard."

We have a right to select the road to be tried.

The MASTER: Let me see if I understand your position, Mr. Lathrop.

Suppose Counsel should agree that one of the cases should be tried. Suppose there should be a sort of tacit understanding
7083 that as to certain other roads the agreement had not been reached, but remained in abeyance, subject to a subsequent discussion and perhaps agreement.

Now is it your position that the positive agreement entered into in the case of the one road, that that case should be tried, would divest the Master under the order of reference from proceeding with the hearing or trial of the other cases?

Mr. LATHROP: I do not think there is any question about it.

The MASTER: That is, that an agreement in respect of one case, would divest the Master of any right to hear the others, in the absence of any agreement to that effect?

Mr. LATHROP: All your Honor has to do, if your Honor thought for any reason this case was not typical, or it should be shown in the trial either to one side or the other, that the case was not typical, is simply to apply to the Court that appointed you for further orders. This is a question of order. There is no disposition to diminish your Honor's jurisdiction in this case.

If these cases are not typical we will try all of the eighteen cases one after the other. But if these cases are typical, we do not care to be put to the expense of hundreds of thousands of dollars to prepare statements that may never be needed.

The MASTER: Then suppose there is no agreement.

Mr. LATHROP: Then Counsel or your Honor will have to go back to the Court for further orders. You will have to say "Counsel could not agree. They stated they wanted to try the Missouri Pacific case, as typical, because it is doing the largest local business; and
7084 the railroad company insisted on trying the Hannibal and St. Louis case, and being the weakest link in the chain. They insisted upon one case, and the State insisted upon the other. There is no agreement." And all you can say is "Gentlemen, I have no authority. The order says 'He shall hear, and only, until the Court otherwise orders, such above numbered cases as may be agreed upon at the beginning of the inquiry.'"

There is no holding in abeyance. I hold, in the absence of an agreement that the other cases should be heard. I say that I never agreed.

The MASTER: That would present a very anomalous condition, to say that the hearing would not depend upon the order of the Court, but upon the agreement of Counsel.

Mr. LATHROP: That might be a criticism upon the Court's order, but could the language be plainer, if your Honor please,—not to interrupt you. These cases are referred to you. They are important cases. They are cases where, if the State loses, it may cost it One Hundred Thousand dollars. They are cases where, if the railroad loses, their treasuries will be depleted.

It is desirable, as a principle is involved, that the Attorney General and the Railroads should select certain typical cases, and try only those cases, until an order is made that you should do otherwise. Has not the Court the right to make that order.

The MASTER: Is it conceivable that a Court would require a case to be held in abeyance until Counsel should so agree.

Mr. LATHROP: Not only so, but can the English language
7085 be written any plainer, or can your Honor write an order any plainer than that covering that very point, and making that exact limitation, whether it is a wise one or not is not the question, but has it not been made? "And he shall so try, and only such above numbered cases as the party by Counsel shall agree to be heard."

There is no practical difficulty about it because Counsel have agreed, and that a*no*na*mo*us condition of affairs which your Honor has suggested, may never arise. As was anticipated, Counsel did agree, and the railroads have agreed, that the three strongest railroads, from the standpoint of the State, should be selected. Now, that having been done, is it fair to ask, and fair to insist, that until these cases are tried in the orderly course of procedure, that we shall be called upon to go to several thousand dollars worth of expense in preparing statements which may and probably never will be used?

The MASTER: The question of its justice and fairness is not a matter for the Master to determine at all.

Mr. LATHROP: I understand that.

The MASTER: The question which would seem to be more important to the Master is that raised by your question that it is jurisdictional in character. Has the Master jurisdiction, in the absence of an agreement to proceed with the trial of the Santa Fe case?

Mr. LATHROP: I think not.

The MASTER: That is the question the Master could address himself to more intimately?

Mr. LATHROP: My zeal may have prevented my understanding the English language, but where an order of reference says
7086 to the Master:

"You shall so hear, and only until the court otherwise orders, such above numbered causes as the parties by their counsel shall at the beginning of the inquiry agree to be heard."

it seems to me it requires an agreement.

The MASTER: And, no agreement, no hearing?

Mr. LATHROP: Until further order of the Court. That is a simple

practical proposition. There is no difficulty about it. As Mr. Hagerman well says, if we do not agree you should certify it back to the Court and say "I cannot further proceed because you limited me in your order. The parties have not agreed, and I certify it back to you for further orders."

The Court then calls the parties before him and says "What is the trouble?" He would perhaps designate the Missouri Pacific and the Hannibal and St. Louis roads as typical, from one standpoint or the other.

The MASTER: Wouldn't he more likely say "These cases are being referred to you for agreement, there has been no agreement, and a second reference will not be necessary. You shall proceed *seem* to try all the other cases.

Mr. LATHROP: But there has been a reference as to three roads. They speak of three roads, and we speak of three roads. Does your Honor claim that under this order your Honor can proceed with the trial of the Frisco, the Cotton Belt, or any other of these cases—unless you claim that, perchance, by what has occurred in regard to the preparation of these statements, certainly not what has occurred in regard to the trial—have you any right to proceed with the
7087 trial of the Santa Fe other than you have with Mr. Parker's or Mr. West's road, than any of the other thirteen? I take it not. Because if your Honor's position is well taken, you can call all these eighteen roads for trial, even though Counsel get up and say "We do not care to try them without a further order of Court, but dissent from it because the roads already tried are typical of the railroad situation, and are largely in favor of the State. We do not wish to be put to an expense of hundreds of thousands of dollars for useless litigation." Then you certify it back to the Court for further orders.

Or, else, if you have a right to call the Santa Fe case after the trial of the other three cases agreed upon—because the record shows I never agreed—you have a right to summons Mr. Parker and Mr. West, and all the other thirteen roads and set them down for hearing; when the Court says you shall set down only such cases for hearing as Counsel at the beginning of the inquiry shall agree shall be heard.

Perhaps you did not have this question in mind when I made the lengthy appeal about being excused from preparing my statement, and said it would cost us a great many thousand dollars, at least, to do so. At the risk of being tedious, I shall read again to your Honor what occurred:

"Now, then, as Mr. Clardy has suggested, the preparation of these statements is a very laborious and a very expensive proceeding. Here are three roads that are certainly typical, so far as local business in Missouri is concerned. They are the roads, if any roads, that earn compensation on local business.

The MASTER: What roads do you refer to?

Mr. LATHROP: The Wabash, the Burlington and the Mis-
7088 souri Pacific, whose percentage of local traffic handled, I undertake to say, is greater than all of the other eighteen roads.

If those roads cannot earn a compensatory sum from these local rates, certainly the roads that have but little business cannot.

So, therefore, it seems to me nothing but fair that the expense of the preparation of these statements by the other roads ought, in the interests of justice and fairness, be postponed until the statements of these three roads have been examined first by the experts, and then submitted to the scrutiny of the Master upon testimony, and then a determination reached by counsel for the State and the Railroads, respectively, in view of the evidence, as to whether or not they are typical. If so, then those cases will proceed to final adjudication, and be the test cases upon which the validity of this law is to stand or fall. What would be the result if we should be compelled when we complete our Kansas work to prepare this statement asked for? We would go ahead and say at an expense of $5,000 or $10,000—I don't know how much—prepare statements, get them up, have them in readiness; and then; when we get through with these other three roads, the Attorney-General and his associates would say, "We don't care for your statement; these three roads are typical of the conditions in this state, and we are satisfied they shall be made the test cases." And the railroads also are satisfied. Then those cases go on to final hearing, and the five or ten thousand dollars are absolutely wasted, and the time of the men employed in getting up those statements would be entirely wasted, and the case not expedited at all.

It does not seem to me that is fair. I know your Honor does not want anything but what is fair, and I do not think the Attorney-General and his associates want anything but what is fair. We are all trying to get at the truth of this, and save expense. Instead of trying eighteen cases, we have agreed to try three typical cases, upon which this law should be adjudicated and determined whether it is good or bad.

The MASTER: That appeal would certainly be very strong to opposing counsel, in an effort to make some sort of an agreement to try less than the whole number of cases. But the Santa Fe Railroad has commenced its proceedings in this court just as the other roads, and I cannot see how the Court, or the Master, could relieve the situation except by agreement of Counsel. In the absence of such agreement I can only say, "Prepare your case for trial."

7089 Evidently your Honor had some idea then, as you seem to have entertained the thought that without any further order of the Court you can proceed to try the whole eighteen cases, in the absence of an agreement.

Mr. LADD: Do you object to it on that ground?

Mr. LATHROP: It makes no difference whether I object on that ground or not. I did not care to try my case and I stated that, the other three having been selected, I was not ready to proceed to trial, by the preparation of a statement——

Mr. LADD: Pardon me for interrupting you, but my understanding is that at the conclusion of that hearing the Master made an order that five cases should be tried: The Burlington, the Wabash and the Missouri Pacific first, because their statements were in readiness, but

that five cases should be tried, and that the Alton and the Santa Fe cases should be tried.

Mr. LATHROP: If I am wrong the record will correct me. The records show.

I have already made my challenge and it would serve no useful purpose. I have made my challenge to the statement of the Master that he was proposing to set this case down for trial, by saying I dissented from it; I have read my dissent and I have insisted upon it every time I have been present in Court. And there is not a syllable in this record that shows that I ever "agreed" (in the language of that order) to the trial of my case after you gentlemen had selected, in the conference room, cases that you would be satisfied to try, as typical cases, and let the others go until the end of those
7090 three cases would be reached, to see if they would be adopted as test cases or not.

Mr. LADD: This is the first I have ever heard as to the question of the power of the Master to make that order.

Mr. LATHROP: That may be, but whether the first or the last time, if under that order the Master had any jurisdiction to set down the Chicago & Alton and the Santa Fe cases for trial, the objection is just as tenable now as at any time, and the record shows I dissented all through here against my case being set down for trial, or my case being one of the three or one of the five which should be designated as the cases to be tried. I will proceed to read from the record:

"The MASTER: It seems that counsel for the opposing parties have agreed that the cases of only five roads shall be tried. They may hereafter agree upon a lesser number than five, but if they should the cases to be tried shall be selected from the five. That is as far as the agreement has gone, as I understand it.

Mr. LATHROP: I cannot permit that statement to go unchallenged, so far as the Santa Fe road is concerned, but this reason: In the conference this afternoon, when the suggestion was made by Col. Parker that one railroad had taken the laboring oar in the cases in Kansas, of a similar character, I answered that the Santa Fe was that one. Mr. Hadley said he thought it was abundant excuse for the Santa Fe not being ready at the present time, and it was suggested that the Burlington and the Wabash would be the roads selected here. I understood we were to select two out of the five, and that any two would be satisfactory to the State."

"The MASTER: That appeal would certainly be very strong to opposing counsel, in an effort to make some sort of an agreement to try less than the whole number of cases. But the Santa Fe Railroad has commenced its proceedings in this court just as the other roads, and I cannot see how the court or the Master could relieve the situation except by agreement of counsel. In the absence of such agreement I can only say, "Prepare your case for trial."

7091 Now, if I am right, under the order, it is only such cases as Counsel expressly agreed upon should be tried, that are to be tried; and what were they? There is no dispute about it. We designated the Burlington and the Wabash. They added the

Missouri Pacific. And we came into the Court room with a distinct agreement, that they do not deny, that these three cases should be first tried.

Now, then, following that—I know I am wearying your Honor, but you seem to resist my contention and I want to show that so far as I am concerned, my position has been consistent.

The MASTER: I am not growing impatient; take your time, Mr. Lathrop.

Mr. LATHROP: At that meeting I said:

"But this is a tentative agreement, not binding upon anybody, Try these cases and it may be that as a result of that trial, it is not at all unlikely that from the standpoint of the State, and from the standpoint of the Railroads, those three cases will be typical of the railroad situation in the State of Missouri. Those are the most favorable cases, so far as the State is concerned. There is the chance that they would be willing to stand by those three cases, and we would be willing to stand by them. The only object in selecting these three roads was to save the expense to the other railroads of preparing these expensive statements.

Why not let this be carried forward in the probability that in due time—neither one to be bound now—this law shall stand or fall by what it is shown in these three cases.

No injury is done to any one, for the reason that if, upon the completion of the hearing in these three cases it is necessary to go on and get even fifteen additional statements, the delay would not be over sixty or ninety days, and in a controversy of this magnitude this amount of time is not unreasonable. I am satisfied your Honor would be exercising wise discretion perfectly within the purview of the order, and one the Judge of the Court would
7092 make, if you felt unwilling to make such an order in this case, that upon matters between Counsel, about which there is no dispute, that the statements of the other two roads (or the other fifteen roads) might well be held in abeyance until the testimony is in on the three roads, which all agree are typical as to the handling of the local business in this state.

Mr. HADLEY: There is no question that I understand is now before your Honor for decision, or that constitutes a difference between Counsel. All that is now urged here is that the Santa Fe is asking to be relieved from what it was clearly understood, upon the 11th of April, it should do. This appeal that is now made might have been timely then, but I don't see how it is timely now. It is true we have agreed to proceed with the trial of the three cases,"

The order of the Court says that

"He shall so hear, and only until the court otherwise orders, such above numbered causes as the parties by their counsel shall at the beginning of the inquiry agree to be heard."

He says "It is true we have agreed to proceed with the trial of the three cases." Does he say that I agreed to try my case, either in the

conference room, before your Honor or anywhere else? With that understanding he adds:

"But that understanding never considered for a moment that these other two roads would be relieved of preparing and filing their statements with all convenient speed. It was the understanding of Mr. Hagerman, expressed to me three weeks ago, that these five roads were preparing their statements; and I sought then the privilege of having our experts go to some two of those lines, in order that we should be prepared to proceed today.

If we go forward with the trial of the two roads, and then be obscure in our minds whether we have a typical case, then we should have to come and ask your Honor to compel the Alton and the Santa Fe to prepare their statements."

Mr. Jackson then intervened——

Mr. HADLEY: I wish you would read what I said then.

Mr. LATHROP: Mr. Hadley then continued:

7093 "There should be no delay any more than the delay necessary on a promissory note. The preparation of these accounts, as shown in these other maximum rate cases, is made by the clerks in the office where the accounts are kept. How can a clerk in Wichita, or Topeka, have anything to do with the expense of handling the local business in the state of Missouri.

The local business of the Alton and the Santa Fe may not be and probably is not as heavy, but I think we are entitled to have those statements as soon as they can be prepared. Then we can proceed with the trial of those roads immediately after the other trials, and not be compelled to await an examination which it may take three months to make.

Mr. Lathrop is asking that a new element be introduced into the understanding, which has not heretofore been mentioned."

I have already sufficiently answered that by what has already been read from the record.

Mr. Jackson then said:

"He is financially interested in preparing a statement for the Santa Fe, which our Company would not be. It shows how differently people can get ideas about a matter. I understood in the other room, before we came in here, before the explanation of the situation the Santa Fe was in, that we would take up the three cases and then there would not be any other work.

Mr. HADLEY: I said I would not insist upon the Santa Fe being one of the roads to be tried now."

If you did not insist, and we did not agree to it, I want to know how, under paragraph one of the order, your Honor can take any further proceedings in the Santa Fe case, without a certification to the Court.

Mr. Hadley again said:

"Counsel states it is not necessary to prepare those statements because trials are not insisted upon. We think the statements should be prepared, although we do not expect to try them until after these three cases are tried.

7094 The MASTER: As I understand you, you are unable to say now, until the Missouri Pacific and the Santa Fe and the Alton prepare their statements, as to whether you will want to try those cases or not. You cannot determine that until you see the statements.

Mr. HADLEY: I cannot determine whether I want to try those, in addition to the other three. We have all agreed to proceed now with the trial of the Burlington, the Wabash and the Missouri Pacific, and those in the order named. The Burlington and the Wabash being examined and tried first.

Now the only question of difference is this: you ordered upon the 16th of April that the Santa Fe, Alton and other three lines file their statements today."

That is a mistake General Hadley inadvertently made. You made no such order. General Hadley was not present at that meeting.

"They hav-n't done it. They have appealed to me now that I do not insist upon that order being carried out. I think they should go ahead and prepare their statements as soon as it can be done, because, whether we want to try those cases must be based upon a proposition of comparison. We cannot have a basis of comparison until we have their reports to compare with the others. We have agreed upon the three cases to be tried, and we can confer with reference to these other matters of difference.

Mr. HAGERMAN: We have agreed, within the meaning of the order, as to the trial of these three cases. Now the question is whether we should be compelled to prepare these other statements."

So the order was expressly brought to the attention of Master and Counsel although not by specification. He says "We have agreed within the meaning of the order, as to the trial of these three cases. That is the only place where it is mentioned.

That distinctly put up to the Court and Counsel upon the other side that the provision of that order had been met by the
7095 agreement of Counsel as to three cases, which eliminated all the other fifteen cases until the further order of the Court.

"Mr. HADLEY: The only understanding had in the case, according to my interpretation of it, was that the five roads would prepare their statements and file them. I have agreed that these three cases should be tried, in the order named. I did not make any other condition than that."

"That is the only agreement I had made", says Mr. Hadley, "I have selected those three cases". The order says "Select such cases as you are going to try at the beginning of the inquiry." Mr. Hagerman says "You have selected all the roads you are to try", and Mr. Hadley says, "I have selected those three named. "I did not make any other agreement than that.

Now, how can the gentleman claim that under the order the Court has any jurisdiction to proceed with any other than the three cases, until a further application to the Court is made?

The MASTER: What is the date of that quotation, at what meeting?

Mr. LATHROP: June 7. All of this which I have been reading is

what took place at this preliminary inquiry. My protest, the discussions, Attorney-General Hadley's statement that he agreed to try three cases, and Mr. Hagerman's statement that they had selected three, under the terms of the order—all that occurred at the preliminary hearing.

"The MASTER: As between the Chicago & Alton and the Santa Fe, is it agreed as to which of these two trials shall be called first?

Mr. HADLEY: It was expected, and I believe now, we will not call those two roads for trial."

7096 Did he agree to try them at that time? Did I agree to try them at that time? He says he did not. I said I did not. The record says, the order says, that only such as we both agree upon shall be tried, without further order of the Court.

Mr. Hadley said then:

"It was expected, and I believe now, we will now call those two roads for trial."

He might have said "We have the best three in the State for our case. If we cannot win on those, we certainly cannot win on the others. We have the three strongest local roads in Missouri. The railroads have actually agreed to that. They have not selected the St. Louis and Hannibal, and insisted upon that, on the theory of selecting the weakest link in the chain. They have not taken any other road where the local traffic is not dense. They have agreed upon the three strongest roads in the State."

In June, when the inquiry was about to begin, he says:

"It was expected, and I believe now, we will not call those two roads for trial. Those are to remain in abeyance until I can determine whether to try one or both of them."

Without a further order of court, we have to agree, Mr. Attorney General, notwithstanding your exalted office, whether any outside of the three, shall be tried.

General HADLEY: I was not trying to exert my power or my office. It was as a matter of convenience.

Mr. LATHROP: Whether a matter of convenience or not,

7097 you said it was expected, and you believed then, you would not call those two roads for trial. You, therefore, did not agree that they should be tried, and I certainly did not.

The MASTER: Nor that they should not be?

Mr. LATHROP: Yes; I said at that time they should not be tried. I protested against it because we have been eliminated and relegated to the class of the other thirteen roads.

The MASTER: I am speaking now of General Hadley. You say it was not agreed that they should be tried; on the other hand, he did not agree they should not be tried.

Mr. LATHROP: I do not undertake to say he agreed they would not be tried at any time. But I do say that he did not claim then that the Santa Fe was one of the roads designated at the beginning of the hearing by agreement or otherwise, to be selected for trial. He said:

The MASTER: The trouble about that is, that unless the case is

set down for hearing, a month from now we will be in the same condition as today.

Mr. SCARRITT: You have three cases before you to try. I am satisfied the Attorney-General will not try those two cases. At any time he indicates that he will proceed——"

Mr. Scarritt had not followed this matter very closely, and he was not familiar with the terms of the Order of Reference. General Hadley says:

"They can be held in abeyance. I cannot determine whether I want to try them until I can see their statements."

So there was no agreement on his part of on my part that the Santa Fe case should be selected for trial.

7098 It is true—and I take it it amounts to nothing, if our point is well taken, and it will be matter that the court will be glad to have called to his attention—it is true, that after I had protested to the utmost of my ability, and, as Colonel Parker said at the September hearing, I grew white in the face, when the fact of the agreement eliminating me was challenged in open court, and the newspapers kindly said, when the Attorney-General stated his position, that I was not only covered with surprise but chagrin;—certainly no one can claim, from the Master down through the whole coterie of counsel on both sides, that I ever agreed that the Santa Fe should be one of the cases set down for trial. It is true that General Hadley said "they may be held in abeyance. I cannot determine until I see their statements," and then Mr. Ladd asked:

"When can we have the Burlington statement?

Mr. HAGERMAN: In four days.

Mr. HADLEY: When can we have the Wabash statement?

Mr. MINNIS: You can see it this evening, I think.

Mr. LADD: Is it necessary that we should apply to the Master for an order to permit us to examine the books and papers?

Mr. HAGERMAN: No sir.

The MASTER: There should be entered a formal agreement——"

Did I agree? Did I enter into a formal agreement, in the face of all I have said?

The MASTER: There should be entered a formal agreement that out of the eighteen cases——"

Your Honor seemed to be under the impression then that there should be an agreement.

Does anybody understand that I agree, in the face of this record?

7099 "five, or less than five, are to be tried."

Notwithstanding the selection of the three he had named in the conference, and reported to the court, General Hadley said:

"Out of the eighteen roads, five or less than five, as may be subsequently agreed upon shall be tried at present."

Taking his cue from the Master, notwithstanding, he has come into court after the conference with us and selected three out of five.

"And the five so selected are: The Chicago, Burlington & Quincy, the Wabash, the Missouri Pacific, the Atchison, Topeka & Santa Fe, and the Chicago & Alton."

Is there any agreement upon our part? There was no necessity for Mr. Hagerman or me to say anything more than we have said, either one of us, in regard to the selection of the three, since General Hadley had confirmed, up to this last statement, following the suggestion of Your Honor, that five had been selected out of the bunch.

Your Honor then said:

"The hearing will be continued until Monday, July 16th, 1906, at which time the cases of the Burlington, Wabash and Missouri Pacific will be called for hearing, in the order named.

There was nothing stated there that the Santa Fe was also to be tried or that the Chicago & Alton was to be tried.

The whole record is absolutely conclusive and convincing that three cases, and only three, were agreed upon. It is so repeated by General Hadley to the Court. The whole controversy
7100 was as to whether we should be compelled, after we had been eliminated, to furnish statements that he might then, forsooth, determine as to whether or not when we got through with the first three cases and might be defeated in them, he might want to go on with the Chicago & Alton, and the Santa Fe Cases.

I submit that without any order of Court we cannot be subjected to that presumably unnecessary expense.

Now, a word more and I am done:

During General Hadley's absence on his vacation between June and September, Mr. Lake, the Assistant Attorney-General, notified me, calling upon me for statements, and I think wrote me two letters in regard to it, saying that the Attorney-General desired that the statement be furnished.

On the twenty-third of July I answered Attorney General Lake, and sent the letter to Salem. This letter reads as follows:

"Your letter of 21st. inst. calling for statement of Santa Fe Railroad in connection with the Missouri rate case, has been duly received."

I referred that to Mr. Hagerman for his attention.

Mr. Hagerman in connection with my partner, Mr. Moore, just before his departure for Europe, addressed this letter to Mr. Lake:

JULY 24, 1906.

Hon. Rush C. Lake, Assistant Attorney General, Jefferson City, Mo.

DEAR SIR: Your letter July 21, 1906, to Mr. Gardiner Lathrop has been referred to us for answer, which we hasten to do as Mr. Hagerman leaves for Europe upon July 28th.
7101 The transcript of the proceedings had before the Master upon June 11, 1906, shows that three roads were selected for trial—the Burlington, Missouri Pacific and Wabash, and that it is not the intention to try the case of the Santa Fe. Such we understand still to be the view of the state.

Under the order appointing the Master, authority is given only to try such cases as, at the beginning of the order, are agreed upon to be heard? This order does not contemplate that we shall agree upon three roads and then cause a lot of expense to be incurred in the

preparation of cases never to be tried. The order did contemplate, however, that typical cases should be selected and tried and it is certain that if the law is confiscatory as to either of the three roads which are to be tried, it must be so as to the Santa Fe upon which the local traffic is not so dense. Besides this, as shown by the transcript, the Santa Fe has been bearing the burden of a like case in Kansas, and unless you are to try the Santa Fe case, it is an unnecessary and useless expense, as well as labor, to prepare a lot of statements. If it is definitely decided to try the case then the expense of preparing these statements might be the subject matter of consideration in the taxing of costs. In the meantime, however, your demand for the statements is not in accordance with the spirit or letter of the order appointing the Master.

Yours respectfully,

——— ———."

Upon the return of the Attorney General, if I may be permitted to make one more reference to the unfortunate September meeting, the correspondence as late as August 17 and 21 between the Attorney General and myself shows my position in the matter. And, that if I was mistaken, I certainly was not acting in bad faith.

This letter dated August 17th, says:—

"On my return to my office, after an absence of several weeks, I find the letter of Mr. Frank Hagerman and Mr. S. W. Moore to Mr. Lake of July the 24th, in reference to the furnishing of the statement by the Santa Fe in the maximum freight rate litigation. In this letter, it is stated, that my requirement for a statement from the Santa Fe is not in accordance with the spirit or letter of the order appointing the master. This statement was, doubtless made
7102 by Mr. Hagerman and Mr. Moore without the knowledge of the terms of the order appointing the master."

That is a singular statement, inasmuch as Mr. Hagerman was present at the time the order was entered by Judge Philips, Mr. Ladd also being present, and I, happening to be in Kansas City on that day, was also present. General Hadley doubtless did not know that Mr. Hagerman was there.

"It was agreed between Mr. Hagerman and myself that the cases of five railroads of which the Santa Fe was one, should be selected for trial. It was the clear understanding of all parties concerned, including the master, that the statement of these railroads, including the Santa Fe, should be furnished by the 10th. of last June. This was not done in the case of any of the roads. It was then agreed that the statements of the Burlington, Wabash and the Missouri Pacific should be furnished forthwith, and the trial of those cases should be proceeded with, and that the matter of requiring a statement or a trial of the Santa Fe and Alton cases, should remain in abeyance until after the statements of the other three roads were examined. If then it was my desire that statements should be furnished by the Alton and Santa Fe, it was clearly agreed that they would be furnished as soon as possible."

Nobody could read that record, and nobody could have seen my manner, as Col. Parker said he saw it, (I did not know I was white in the face)—but nobody could have heard what I said, and, unless he was an imbecile, thought I agreed to furnish a statement. For, in view of the fact that I was in a position to speak for myself, could it be reasonably inferred, it seems to me, that Mr. Scarritt spoke for me, as the Attorney General intimated in his September address to the court, that "he supposed Mr. Scarritt was speaking for both of us". I have been pretty constantly looking out, in my feeble way, as best I could, for the interests of the Santa Fe Company, and I presumed, as did everybody else, that Mr. Scarritt was there in
7103 his capacity—not as Assistant Solicitor for the Santa Fe, but as attorney for the Alton road.

The letter continued as follows:

"I am therefore, entirely at a loss to understand the position that Mr. Hagerman and Mr. Moore have taken in the matter."

By the way, Mr. Hagerman, as you know, was at the June meeting, and when he wrote that letter was cognizant of what proceedings had taken place before the Master at that time.)

The letter continues as follows:—

"My understanding of the situation was also the understanding of Judge Scarritt, and he is now complying with my request for a statement from the Alton."

I have not any complaint to make of what Mr. Scarritt understood, or whether Mr. Scarritt made a proposition for his road which General Hadley accepted. But I do say that from this record, nobody can fairly or legitimately claim that I assented to any such request from the Attorney General.

The letter then ends as follows:

"I should be glad to hear from you at your earliest convenience to the effect that your understanding in this matter is the same as mine, and that the statement of the Santa Fe will be furnished without further delay.

Yours very truly,
(Signed.) HERBERT S. HADLEY,
Atty. Gen."

On August 21st,—about two weeks before the September hearing, at which I did not have the honor, or privilege or pleasure of being present, I addressed the Attorney General the following letter, in which I attempted to make my position clear, as I honestly, clearly and intelligently could.

7104 *August* 21, 1906.

Hon. Herbert S. Hadley, Attorney General, Jefferson City, Mo.

DEAR SIR: Absence from the city has prevented earlier reply to your favor of the seventeenth instant.

While I regret to be involved in any controversy relative to the furnishing of a statement by our Company in the Maximum Freight Rate litigation, I am constrained to say that I think the letter of Messrs. Hagerman and Moore to Mr. Lake, on the 24th ultimo, correctly states our position in the matter. You will doubtless recall that in the conference between counsel at St. Louis, when the question of the selection of two roads out of the five which had been named, whose cases should be first tried, was up for consideration, you distinctly agreed that the reason I have for our not being included as one of the two, to wit, that we were carrying the laboring oar in a similar contest in Kansas, was a sufficient excuse for our not being required to go to the expense of furnishing a statement or to be included in the two roads whose cases were to be first tried. When Mr. Hagerman named the Burlington and the Wabash as the two roads which had been selected out of the five by the railroads as the first cases to be tried, you and your associates retired for consultation and came back and announced that if the Missouri Pacific should be added, the proposition would be accepted and the arrangement would be satisfactory. Your reason for having the Missouri Pacific included was on the ground that Mr. Ramsey of the Wabash had claimed that the unsatisfactory showing which it was claimed his road had made during the last year of his incumbency as President was due to the fact that Mr. Gould had diverted a large amount of traffic to the Missouri Pacific. Your suggestion was acceded to and we then appeared before the Master. You will doubtless recall my expressions of surprise and dissent when in the proceedings before the Master you called upon our Company to furnish a statement, notwithstanding the arrangement which had just been entered into for the preparation of statements and the trial of the cases of the Burlington, Wabash and Missouri Pacific. You will recall the discussion had before the Master, and certainly will not claim that I agreed in behalf of our Company to furnish a statement whenever you saw fit to call upon me therefor. As a matter of fact, I did not consider then and do not consider now that under the arrangement made a statement from our Company could be properly called for at this time or in advance of the trial of the three cases which had been selected for trial by agreement of counsel on both sides. Inasmuch as the three
7105 companies whose cases have been selected for trial do the largest amount of local business of any companies in the State, and whose income therefrom must necessarily make the most favorable showing for your side that can be made, it seems to me manifestly unjust that you should ask your Company to go to a large expense in the preparation of a statement which may never be used and which you will probably not be even disposed to call for after the three cases selected have been tried. I trust, therefore, that upon reconsideration you will concur in the view which has been expressed by Messrs. Hagerman and Moore and which I have outlined in this letter.

Yours truly,
(Signed.) GARDINER LATHROP."

I cannot refrain from saying that it seems to me it would have been more in the spirit of fairness one would expect from a distinguished lawyer, and a man for whose ability I have the highest respect, occupying the exalted office of Attorney General of the State, when he saw I was not present at the September meeting, and he felt called upon to ask some order of the Master in the premises, that so far as the Master was concerned, he would have had the courtliness and the grace, and that high sense of professional ethics, of saying that in my absence he felt it nothing more than fair to read my position to the Master as outlined in my letter to him of August 21st.

I have been much labored and protracted in my statement of the matter, because my position has been consistent from the beginning to the end. It has been fully understood by my associates and has been agreed in and approved by them, has been fully understood by Mr. Hagerman, representing all of the railroads in the state, and after having many personal conferences with the Attorney General. There never has been and is not now, and will not be in the future,
7106 any disposition upon our part, at the proper time and in the orderly course of proceedings, under the order of the Federal Court, to reply to the legitimate cause of the court, and of yourself as Master.

But I do say, that under the record as made, under the order of the court, under the position that these cases have assum*ing*, that your Honor ought not, if you could,—and under the order I respectfully submit that you cannot if you would, require any steps to be taken by the Santa Fe Railroad at this time. Whenever under order to you, or whenever by authority of the Federal Court, or yourself as Master, under a supplemental order, a statement is called for, it will be furnished as promptly as the force at the command of our Company can prepare it. When prepared, every facility will be furnished to Counsel and their experts, with the assistance of our statisticians and such number of clerks as may be required, to verify that statement, in order that the truth of the controversy may be found.

But when under the order of the court and when in the desire of counsel on both sides, that typical cases shall be selected and tried, to see if the record in those cases would not form a proper course of the law that is challenged, when the railroads have submitted by agreement the three strongest roads, so far as local traffic is concerned, for the arbitrament of the court in the first instance, I submit the court should say under the order appointing me, with the agreement that has been made, I will proceed with all due diligence to try and determine those three cases, and then, if Counsel on the other side are not satisfied that they are typical, make
7107 application with due reasons therefor to the court appointing me, and the other cases, either with or without agreement, submitted to me for further hearing and adjudication.

General HADLEY: If the Court please, I am going to be very brief in what I say in reply to the somewhat extended statement of counsel.

Brief, because what really has been agreed to in this case is a matter of record, a matter of record in such a way that there can be no mis-

understanding concerning it, and no ingenious argument can therefore create any confusion as to what the record means.

I am also going to be brief, for the reason that the record in this case — as to what I have said and contended for at the previous hearing, although it may disclose the fact that I was unfortunate enough to be in robust physical health, as Counsel has seen fit to state, there was no invalidism of temper or spirit on my part.

This has been agreed to in this case and this alone: the record will corroborate it, and Mr. Hagerman, with whom I have conferred, will not forget it—at least I should be more surprised it should than I have at anything that has yet occurred. It was agreed between Mr. Hagerman and myself five roads should be selected for trial. There is no trouble about what five were selected: The Burlington, the Wabash, the Missouri Pacific, the Alton and Santa Fe. It was hoped that out of those five — less than five could be agreed upon for trial first, with the idea that when the trial was had it would be
7108 found that neither parties desired to try any more. Mr. Hagerman does not contend that I agreed the railroads should select the roads for trial. He will say that the roads to be selected out of the five were to be selected by Counsel, on the statement made him by Mr. Lake, he would be willing.

But I contend, in the first instance, under the provisions of the order, it was agreed between Mr. Hagerman and myself, he representing all the railroads, and I representing the state, that these five roads, the Burlington, the Wabash, the Missouri Pacific, the Chicago & Alton and the Santa Fe Roads should be tried. And that is the agreement that is corroborated by the order made when the meeting was held in April, when I was confined to my bed by Physical incapacity.

Now the misunderstanding that arose between Counsel on account of a chance and casual remark of Mr. Lake's was obviated at the June meeting by the agreement to proceed then with the trial of the three out of the five cases, which had previously by the terms of the other agreement, been agreed upon, the other two cases to remain in abeyance.

Mr. CLARDY:

Q. Who selected the five roads?

General HADLEY: Mr. Hagerman and I.

Mr. CLARDY: Didn't you select them?

General HADLEY: We selected them after a conference. Several roads were suggested. The Frisco was spoken of, and Mr. Hagerman said that road ran through a poor country. Things like that were discussed, and he and I could not agree upon two out of the five. I told him I wanted to select the rest after consultation with
7109 my associates. I did consult them and told him we were endeavoring to agree upon two roads. Am I not correct on that, Mr. —. And Mr. Hagerman has no misunderstanding about that, which I am pleased to see has not arisen in this case or any other case for that matter.

But, even so, that was all wiped out by the understanding in

June which was that we should proceed with the trial of these cases. But previously to that Mr. Hagerman had been advised in open court, and in the records, that five roads should be tried. Subsequent efforts at agreement were made to leave the burden of all five cases, in the hope that these three should be considered typical. Certainly I have no disposition to indulge in personalities, and I will not be led into personalities. I want to be entirely fair and I do not want to stand in doubt, simply by reason of an agreement, where I will be in a position to insist that certain statements shall be prepared by the railroads merely out of natural perversity and a disposition or desire to put the railroads to unnecessary expense. I am asking for this because those statements have been disclosed, I see how futile it is to judge the situation of one road by the situation of another, in the disparity and difference of situation of the different roads. From the difference of situation between the Wabash and the Burlington road I see we must either try those five cases agreed upon for trial, or the cases must be dismissed. Because I will take the position, and feel secure in the position that the failure of the roads to yield operative expenses will not be sustained.

Leaving the contention that had been previously — between Mr. Hagerman and myself that when two or three of these roads have been tried we would find there was no revenue, and then of
7110 course — I make that explanation in order that Counsel may not attribute to me a desire for these statements other than upon the merits of the controversy.

I am willing now to submit the only question before your Honor, being whether when we have finished with the trial of the three roads we are then to proceed with the trial of the Alton and the Santa Fe roads. I am willing to submit it on the record and the statement I have made here, in reference to what has passed between me and Mr. Hagerman. We have agreed upon the trial of three cases. There is no conte-tion about that. There is no contention between Mr. Scarritt and myself, his road has been agreed upon for trial following this in case the trial of the three roads does not satisfy all litigants. The only question to come up is whether the agreement between Mr. Hagerman and myself which is incorporated on the records, the trial of the Santa Fe road can be proceeded with without further order.

Mr. CLARDY: How about the other thirteen?

General HADLEY: They are not to be tried.

Mr. HAGERMAN: Not at all?

General HADLEY: Not under this copy of reference.

The MASTER: In the absence of any positive understanding and agreement between the opposing Counsels in respect of the two roads, namely the Santa Fe and the Alton, what would be your position in respect to the jurisdiction of the Master to proceed with the trial of those causes without referring the matter to the court for additional order?

General HADLEY: In the absence of any agreement?

The MASTER: Yes.

7111 General HADLEY: I was surprised at that contention made this morning, and I had not investigated this feature of the

case, because up until this morning so far as I was ever apprised, and I do not recall the inference in Mr. Lathrop's letter that I do from his argument, that up to this morning Mr. Hagerman and I had agreed upon five roads, the trial of which should be proceeded with, and that agreement was entered and appeared of record in the first second and third hearing of this case.

But, irrespective of this, my idea would be that your Honor would have the right to proceed with the trial of such cases as were indicated at the first hearing would be involved in the litigation, and it was certainly indicated to you at the beginning of these cases that there were five roads which would comply with statement and five roads which should be tried, unless a less number were agreed upon subsequently by Counsel, as typical of the situation.

But I do not understand in answer to Mr. Hagerman's question, I may not have understood it correctly, but there was never any agreement that any case should be closed.

Mr. HAGERMAN: Never. There was never any agreement at all between us, except that five roads were to be selected out of which two were to be tried, and after those two were tried we would than understand whether we would want to try any of the other eighteen. Not any of the five but any of the eighteen.

Now we do not want any misunderstanding about this thing. It has been brought in here as to what I agreed to I want to re-
7112 peat and if I am wrong, I want Counsel to correct me, but I have always avoided making any agreement by which any one road would be bound by any other road. I could not do that without getting the consent of the Counsel for that road.

The original understanding was to expedite the hearing and get us all to understand the right situation, that two of the largest roads should be tried, with the idea that if it turned out that the rates were confiscatory to those roads, manifestly it would be so as to the smaller roads.

Now we discussed in a general way the idea of having the five largest roads selected—and, General Hadley, I think probably we discussed which were the largest roads. Any way, the idea was that we should name five roads. I reported that to my associates, with the understanding that out of the five that should be first tried, they should name two, and corroborating that was Mr. Lake's statement to Judge Spencer and me, immediately upon leaving the meeting, "Now, gentlemen, in selecting the two roads, it would not be fair to either of us to select two Gould roads." Judge Spencer will bear me out in this statement and it is one that has been made.

Mr. LATHROP: To say five were to be tried?

Mr. HAGERMAN: Five were to be named by General Hadley. My understanding was, and always has been, that the roads were not ready to make statements, and they were to be furnished by June 10th. I supposed they were at work upon all the statements, General Hadley applied to me and on June 1st I had to wire in my an-
swer, I was on my way East, and I wired him on June 1st.
7113 He asked me if the statements could be made up before that time. I said "No."

General HADLEY: You specified that statements should be furnished by all five.

Mr. HAGERMAN: Yes all five would have statements ready. So that when they had them the railroads would meet and select the two roads to be tried. That is the idea that every body connected with the railroads had.

Mr. LATHROP: That is what you reported to us immediately after your conference with General Hadley.

Mr. HAGERMAN: After that, when we got to St. Louis, something turned up that I did not know of before, that these representatives of the railroads had said to Mr. Lathrop because of the Kansas situation they would not include him in the five. That narrowed it down to four.

At that time the question came up about making the statements. Up to that time there is no doubt but what the record shows it. It was all taken down at the June meeting. The only misunderstanding that has ever been, is, of the five roads that were named, were we on behalf of the railroads to select two, or were General Hadley and the State representatives to select them. What took place at the June meeting is of record.

The immediate question before you at this time is: You are in a position to order these statements made. It is a question of the convenience of Counsel. If these gentlemen want to present, as they said they would at St. Louis, an application for the examination of certain books, then the same kind of a question will arise. But it seems to me they are talking now of something that is not
7114 before the Court. The question is, upon this record, and under the order appointing you, as pointed out in the letter of July 21st to me, in General Hadley's absence, in demanding a statement, are you entitled to proceed with the trial of any case, unless the parties have agreed upon it. It is not a question of whether General Hadley agreed to try two cases. The question is whether the Santa Fe case has even been agreed to be tried. That you have to determine from an inspection of the record.

Now if no cases were agreed upon to be tried, you could not proceed with this order, without an additional order of Court.

The MASTER: That is a question the Master is in very grave doubt upon that subject.

Mr. HAGERMAN: Let us go a step further: That is wholly beside itself, in comparison with the question now involved.

The order says "You shall try only such cases as Counsel have agreed to try." They have agreed to try three but have not agreed to try anything more.

Now the question is, without this further order, there is no misunderstanding about the question of that order. The question before the Court & in the contemplation of the Court when the Court determined it was a matter for oral testimony whether the Court should hear the testimony, and the Court referred the matter to a Master. Knowing that in these 18 cases some steps ought to be taken to expedite it, and see where we stand, and if we could get

out of trying all the 18 cases, it made an absolute order re-
7115 ferring all these cases to you, coupled with the condition that you should not proceed with any case that was not agreed upon.

The MASTER: Your view is that an agreement in respect to the three cases would divest the master of jurisdiction in other cases, or to proceed with the hearing in the others.

General HADLEY: How about the Alton? Judge Scarritt seems to understand it differently.

Mr. HAGERMAN: If Mr. Scarritt comes in and says he agreed, the Alton case will have to be tried. The record does not show there was an understanding between him and General Hadley. If beside the record there is an agreement——

The MASTER: There is the difficulty. If Counsel had entered of record the agreement that was contemplated, we would have avoided all this misunderstanding.

Mr. HAGERMAN: Absolutely. The difficulty in my mind is that it is a misconstruction of the order by the Attorney General. He seems to have the conception that although he does not intend to try the Santa Fe case, at the present time, for the present I mean, or any of the eighteen cases, that he can come in here and ask for some kind of an order or a statement, in order to compare those conditions with other roads.

The MASTER: How can the Master determine what is agreed upon between counsel in private session by themselves?

Mr. HAGERMAN: That you could not. It is a rule that Courts will not recognize, for the very purpose of protecting themselves against possible mistakes and misunderstandings, between reputable coun-
sel, that it will not receive in proof what was an oral agree-
7116 ment between Counsel. They must agree or produce writing, or the Court says there is no agreement. The Court makes that rule for the protection of itself against such misunderstandings. Your honor has stated very explicitly that there should be an agreement. There never has been an agreement so far as the Santa Fe road is concerned upon this record that this case shall be tried. The language indicates that the Attorney General, as he says, did not expect to try the Santa Fe case. But he was contending, although he has conceded that we agreed upon three cases, that he might have occasion some time in the future to call upon them for a statement, and that was the only controversy between him and Mr. Lathrop at that time, that he claimed he had the right, and Mr. Lathrop claims that he did not.

The MASTER: And in effect, if I understood the position of the Attorney General, that he could not determine whether or not he would want to try the Santa Fe and the Chicago & Alton railroad cases until they furnished a statement.

Mr. HAGERMAN: There is no doubt about that. Now I am not going into any discussion of the matter with your Honor, because I can see there are many reasons in connection with what you say, that if there had been no agreement, you could proceed to try all the cases; but when this order shows you shall proceed only with

such cases as have been agreed upon, when it stands established that we have agreed upon three cases, and have not agreed upon any more, you cannot take a step without a further order of court.

The MASTER: Let me put you this question: Suppose it were agreed, being a supposititious case, but suppose the eighteen
7117 cases, out of which it was agreed three should be tried: and, second, that as to ten, they should not be tried, at least for the present; and, third, that as to the remaining three, there was no agreement whatever: either they should be or should not be tried. Now what would be your position in that situation.

Mr. HAGERMAN: Then you have exceeded your power under the order.

The MASTER: But they remain in abeyance subject to further order?

Mr. HAGERMAN: That you have exceeded your power under the order.

But I want to suggest to you, that we did not all come here without any agreement. There is no question as to whether you could not call a case for trial when all have been referred to. The case is, that when you got the order you should so hear, until the Court otherwise orders such above numbered causes as provided by their counsel shall at the beginning of the inquiry agree to be heard.

Now have Counsel agreed upon three cases, and did not agree upon the rest, so far as you are concerned, you have exceeded your power in inquiring into the trial of the three.

The MASTER: Does not the language of that order contemplate an agreement between Counsel to try three or more, a definite number, only that many?

Mr. HAGERMAN: No sir, it indicates that for the present, for the time being, the first action so far as the Master is concerned, when you go back to the history of the thing, that the question dis-
7118 cussed before the Court was, whether he should refer a case or hear the testimony orally himself. The Court decided, after argument, to refer it, and he then referred it with this limitation upon it. He says while we refer all the cases to the Master in the first instance, he shall proceed to act only upon those they agree upon. So far as those are concerned it is all right. If they do not agree, the only remedy is to go back to the Court for further orders.

I have said and I do not think it is necessary to say anything more about that, if there has been any misunderstanding it ought not to exist, at the June meeting and the September meeting there should not be any misunderstanding between Counsel. There never has been, and I want to say for the benefit of all these lawyers, that I have never agreed that any body's case should prejudice anybody else's case, but thought what we were trying to do was to try to expedite matters by trying the strongest possible cases for the state contention with the idea that when we got the testimony in those cases is was probable we could then agree between ourselves as to the disposition of these cases, or as to the taking of testimony in some of the other cases, but not as test cases.

Now the difference, and the only difference and the only controversy that arose originally was as to the misconstruction—whoever

was right or whoever was wrong, or whether it occurred—was by the accidental remark that Mr. Lake made to Judge Spencer and myself—certainly it was this that led these railroad lawyers to believe, and they all believed, that out of the five they were to select the two roads. And certain it is that afterward, when that suggestion
7119 was made to the Attorney General he said "No, five were to be selected, and then it was to be the subject matter of agreement as to which two we would proceed. That is where we were on June first. After that time the record is perfectly plain.

As to the question presented by Mr. Lathrop, it is a clear, clean, question. The record shows they have agreed upon three cases. The order says "when they will agree upon certain cases for trial, you for the present cannot proceed with anything else until further orders of the Court, if the parties do not agree to have not agreed, you have not anything to do with that. That is the parties' own lookout.

The MASTER: That is the only question that the Master has to determine now.

Mr. HAGERMAN: I am sorry this controversy has arisen. We are ready now to proceed with the Burlington case. I am satisfied that when it is ready to proceed with any of these other cases, the statement will be ready.

The MASTER: The difficulty is, if put off until the conclusion of the other cases it would make substantially as much delay as we have already encountered in the trial of the three.

I will take the matter under advisement until tomorrow.

Mr. LADD: Obviously it is advisable that no misunderstanding should occur. I want to ask Judge Spencer if he has agreed that the Burlington case should be tried?

Judge SPENCER: After sitting here two hours waiting for the trial you should not ask me such a question.

Mr. LADD: I know it.

7120 Judge SPENCER: Since Mr. Ladd has asked me that question, I wish to offer my——

Mr. LADD: One moment. I wish to ask Mr. Minnis and Mr. Clardy the same question. I do not know whether this record shows that any of you are ready.

Judge SPENCER: You know I am here for that purpose, and can begin it now if you can get to it, if we are ready to proceed.

Mr. LADD: Have you agreed to try the Wabash case, Mr. Minnis?

Mr. MINNIS: I understood—we understood on June 7th, we were to try the Missouri Pacific and the Wabash cases.

Mr. LADD: Have you agreed to try the Missouri Pacific case, Col. Clardy?

Col. CLARDY: The record will show.

Mr. LADD: I don't know whether it does or not.

Mr. LATHROP: I think you do. You are apparently asking these questions as a sort of insinuation that I agreed with the rest of these gentlemen. And the record shows I did not.

Mr. LADD: You know that is not so.

Mr. LATHROP: You know it was unnecessary to ask that question.

Mr. LADD: You are too sensitive. I never thought of such a thing.

Col. CLARDY: Don't you think it would be just as pertinent for me to ask you? There is no agreement unless both agree.

7121 Mr. LADD: The State has agreed. It has agreed to anything. As I understand it has agreed that the Burlington, Wabash and the Missouri Pacific cases shall be tried in the order named.

Col. CLARDY: You asked that question as a sort of reflection upon Mr. Lathrop.

Mr. LADD: Not at all. That is entirely a mistake.

Mr. LATHROP: You can ask all three of them if they did not so understand it.

Mr. LADD: I disclaim that.

Judge SPENCER: Mr. Hagerman represents all the railroads. And for half an hour he has been telling you that he is ready to proceed with the trial of those three roads. His word is just as good as ours. We do not need to go outside the room, but in any conference his word is just as good as ours.

Now, Your Honor, these gentlemen agreed to try five roads, at that first meeting, or Your Honor has lost jurisdiction except over the three agreed to be tried. It was not understood when we agreed to make up this statement, that these five roads would be tried. The agreement was we would get up the statement of the five roads and from those statements select some two roads, and it ultimately developed into three roads. Now we have had an agreement here to try three roads. Nobody understood that that first agreement meant you should try five roads and nobody so stated at that time. If there was no agreement to try five roads, the only agreement that comes within that order is the agreement to try three roads.

Mr. LADD: Mr. Lathrop, you and I have been friends

7122 for a long time——

Mr. LATHROP: Yes, and I was surprised. Judge Spencer, Mr. Clardy and Mr. Minnis understood it just as I did. As Col. Clardy was kind enough to say, it was an attack over their shoulders against me.

Mr. LADD: That is a mistake.

Mr. HAGERMAN: Or, that I was authorized to speak for them.

Mr. LADD: Mr. Lathrop evidently did not understand that the Santa Fe case was to be tried at all. I do not say he did not understand it that way. We take his word for it. Evidently there is room for misunderstanding on the reading of this record. It has already stood.

The MASTER: As the question of jurisdiction has been raised, and as the Attorney General will insist upon the trial of the Santa Fe case, under this order, I will take the matter under advisement until tomorrow morning, and the proceedings in this case will be adjourned until tomorrow morning.

Proceedings in the Burlington case will be continued until two o'clock this afternoon at this place.

7123 CHICAGO, WEDNESDAY, *Sept.* 20, 1907.

Met pursuant to adjournment as above, on Wednesday, September 20th, 1907 at No. 209 Adams Street, in the City of Chicago.

Present: Honorable F. L. Schofield, Special Master.

Mr. Gardiner Lathrop appeared in behalf of the Complainant.

Messrs. H. S. Hadley, John Kennish and S. B. Ladd, appeared in behalf of the Defendant.

The following proceedings were had:

The MASTER: An important question, namely, that of the Master's jurisdiction, was raised in the discussion of yesterday morning, there is at this time no motion pending before the Master in the Santa Fe case, upon which action is at this moment desired.

General HADLEY: I suppose, then, in order to bring the matter formally before your Honor, there should be some formal application presented as to whether or not the Santa Fe Road is included, as a jurisdictional proposition, within your power to try under this order of reference: Do I understand your Honor correctly?

The MASTER: There is no motion pending before me upon which action is desired, although that question was raised in the discussion yesterday morning.

General HADLEY: Without in any way suggesting any deviation from the position I have contended for in this case, — which I
7124 was, I believe, supported by the facts, I think it may be as well to proceed now with the hearing of testimony which has been begun in the case of the Burlington Railway and at the conclusion of that, if your Honor desires the matter presented in a formal way, I can then do so.

The MASTER: That would necessitate notice to counsel on both sides.

General HADLEY: Oh, certainly. I make that, notwithstanding the fact I do not care to interrupt the procedure of taking testimony in this case by attending to another matter, but also for the reason that after the evidence is heard in this case it may be that the attitude of counsel on both sides will be materially changed, as to their opinion of the necessity of a certain number of trials, or the necessity for a limited number of trials. The threshing out of testimony in one case may affect the attitude of counsel of both sides. At least, I assume it may on one side, and I presume it might on the other side. Then, in addition to what I have said, that applies to myself and counsel on the other side. Yet, I do not want your Honor to understand that I waive anything or deviate in any way from the position I have already contended for.

The MASTER: The further proceedings in the case of the Santa Fe Road will be adjourned, subject to the taking up again on notice to counsel on both sides.

Mr. LATHROP: That is entirely satisfactory to me. If your Honor will read the record that was made at the last hearing, at the instance of the Attorney-General, the matter was continued over until day before yesterday and subsequently to yesterday, in order that we should appear and answer without further notice.
7125 And it was in pursuance of that direction of the Master that I did appear and made, as well as I could, my position

clear as to the reasons why the statement should not be furnished. I know your Honor did suggest, at the September hearing, that there should be some formal motion or pleading filed by the Attorney General or Counsel for the State. So far as I am concerned, I am perfectly willing to waive anything of that kind, in order that a decision may be had, so I may know exactly where the Santa Fe Road stands in reference to the litigation in this present stage, and particularly how it stands in the proceeding before the Master. But I have no disposition to dissent from the suggestion of the Attorney-General that the matter may remain, at any rate until the conclusion of the hearing in the Burlington case, for I think with him that when this case and the other two are threshed out, that the principles involved will have assumed such shape that further consideration of any further case may be unnecessary, or, if necessary, that we may all agree upon a course to be pursued.

I felt that under all the circumstances and conditions surrounding my particular situation, both personally and professionally, and the attitude of my company, that I was simply performing my duty to my company and myself in presenting the matter as I did on yesterday.

Thereupon the further hearing of testimony in the case of the Atchison, Topeka and Santa Fe Railroad Company is adjourned, subject to call by the Master and notice given to parties.

7126 The evidence taken before the court and referred to in the certificate of the Trial Judge as "Volume I, marked filed by the clerk, December 30th, 1908, and further identified by the signature of Smith McPherson, Trial Judge. Volume II, marked filed by the clerk, December 30th, 1908 and further identified by the signature of Smith McPherson, Trial Judge. Volume III, marked filed by the clerk December 30th, 1908, and further identified by the signature of Smith McPherson, Trial Judge. Volume IV, marked filed by the clerk, December 30th, 1908, and further identified by the signature of Smith McPherson, Trial Judge," is in words and figures as follows, to-wit:

7127 In the Circuit Court of the United States Within and for the Western Division of the Western Judicial District of Missouri.

THE ST. LOUIS & SAN FRANCISCO RAILROAD COMPANY et al., Complainants,
vs.
HERBERT S. HADLEY, Attorney General of the State of Missouri, et al., Defendants.

7128 *General Index of Witnesses.*

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7130 THE ST. LOUIS & SAN FRANCISCO RAILROAD COMPANY et al., Complainants,
vs.
HERBERT S. HADLEY, Attorney General of the State of Missouri, et al., Defendants.

KANSAS CITY, MO., *October* 5, 1908.

Pursuant to the order of the Court made on the 6th day of June, 1908, the parties by their respective counsel appeared on the 5th day of October, 1908, in the United States Circuit Court for the Western District of the State of Missouri, at Kansas City, Missouri, before the Honorable Smith McPherson, Judge of said Court, and the following proceedings were had:

The COURT: It seems that ten of the railroad companies had made an application for an order, all eighteen of the companies had agreed to the latter part of the order, and Case which is No. — came on for hearing on the 6th day of June, 1908, when the application of the Complainant was set down for hearing, and thereafter an application — for a temporary injunction.

The parties appeared by counsel and the Defendant asked that such hearing be postponed for ninety days, and the Court being fully advised in the premises orders—(the Court here read the order on the 6th day of June, 1908.)

7131 Mr. HAGERMAN: We are ready for the Complainants.

Mr. KENNISH: I have just received a telegram from General Hadley who says his train is late.

The COURT: What time is it to arrive?

Mr. KENNISH: He told me to let him know if it is necessary for him to come here.

I will state briefly the position of the Defendants:

The order stated that on this day hearing would be had upon such evidence as had been taken, together with such other oral testimony as might be offered.

Briefly reciting the facts in this case you might say there are eighteen cases—this is recited in the order, too—brought by eighteen railroads as Complainants, to test the validity of the Maximum Freight Law of 1905.

Before evidence was taken in those cases it was agreed by counsel that three of the complainants should be selected as types of all the others.

The COURT: When was that agreement made?

Mr. KENNISH: In 1905, before the evidence was taken.

The COURT: And before the last Legislature convened?

Mr. KENNISH: Yes, your Honor. The roads selected were the Burlington, the Wabash and the Missouri Pacific. Evidence as to the Freight Rate Laws was taken in those three cases in the order I have named them—the Chicago, Burlington & Quincy Railroad, the Wabash Railroad, and the Missouri Pacific Railway. The evidence was all taken before a Master appointed by the Court, and the

cases were ready for submission for argument when supplemental bills were filed by the complainants in all the cases.

7132 Now the theory of the cases was changed by the filing of these Supplemental Bills from the theory first adopted: that is, that the freight rates would be tested separately from the passenger rates, to the theory that all business, both passenger and freight, must be considered in order to determine whether either of the laws, the freight or the passenger, was confiscatory. If a reasonable return was made to the complainants on their business, then it would not be held that either the passenger or the freight rates were confiscatory.

The COURT: I do not catch that.

Mr. KENNISH: The first theory was this, your Honor: That if the freight business, considered alone and apart from the passenger business, disclosed that the freight business did not yield a reasonable return over the expenses of that business, then the Court would hold that the freight rate laws were confiscatory and unconstitutional, regardless of the passenger business.

The COURT: Who held that?

Mr. KENNISH: That is the theory upon which the suit was originally instituted.

Mr. HAGERMAN: Who ever held such a theory?

Mr. KENNISH: I am simply stating the theory of the Bill and the Supplemental Bills. That was necessarily the theory, because the passenger business was not considered in the business, except as to dividing the expenses.

Then when the Supplemental Bills were filed the whole business, both passenger and freight, was included.

7133 When the cases were called here in June, the Court will remember, we discussed it and it was stated at the argument that as the evidence was all taken in the three cases selected as types, the State would insist on a hearing in those three cases before going into any of the other fifteen cases, in which no evidence whatever was taken, and the taking of evidence in which would mean years of labor and no end of expense.

As soon as I went home—I have the correspondence with me, but I will not stop to read the letters, but counsel are here and they know the substance of them—we wrote to Judge Spencer for the Burlington Railroad stating: "On last Saturday we had a hearing in the Federal Court and the cases are set for hearing on October 5th," and stating that "the State would expect to hear the three cases in which the freight rate testimony was taken, before taking up any of the others," and calling his attention to the fact that statements had not been filed by the Burlington or Wabash roads showing the earnings and expenses of the two companies under the new law that they were challenging by supplemental bills; and that "we would like to have those statements at the earliest possible moment so the experts could have those statements while working on the other roads."

The Missouri Pacific Railway Company had furnished a statement.

I also wrote to Mr. Minnis immediately after the hearing in June,

telling him substantially the same things I had written to Judge Spencer.

7134 I wrote to Judge Spencer a second time, and he answered that they had filed a statement with Mr. Hagerman, but that Mr. Hagerman wanted a revised form of statement, and that Mr. Hagerman had gone to Europe.

I then informed Judge Spencer, and also wrote to Mr. Ball, of Mr. Hagerman's office, asking them to give us their statement, such as it was, revised or not, and when they got the revised statement to send us that, so our experts could have something to work on. It was promised that the statement would be filed, but to this day we have not got that statement.

Mr. Minnis wrote me that he would have his statement ready, he thought, by September 1st. He said in his letter: "In reply to yours of the 20th inst." (this was July), "will say that our Accounting Department has been too busy," and then he goes on to state "We will have it prepared by September 1st."

I answered that by saying that if he could have the statement prepared by September 1st, probably that would be satisfactory.

We have not received a statement from the Wabash Railroad Company up to today. No kind of statement that we could work on or make any comparison between the different roads, or that our experts could have any idea of what the effect of this new law would be.

Now, the Missouri Pacific Railway Company is the only one of the three that has furnished us a statement. But the Missouri Pacific Railway Company, as the Court knows—it is a matter of com-

7135 mon knowledge—is a competitor of the other two roads which were selected as types in which to hear evidence in these cases.

The Missouri Pacific Railway Company had a controversy with some Brotherhood of Engineers, because of the condition of the tracks, they not being safe and the lives of the crews were in danger. That was communicated to the Board of Railroad and Warehouse Commissioners of the State of Missouri, and a controversy that got into the public press followed, in which a "slow order" or "speed order" was issued by the Board of Railroad and Warehouse Commissioners of the State against the Missouri Pacific Railway Company, manifestly affecting the business of this road.

Now, it seems it is that road alone that has given a statement, of the three roads in which evidence has been taken, and by order of the Court additional evidence is to be heard today. That is the only one of the three that has given the defendants in this case any kind of a statement that we could prepare on.

If it is the purpose of the complainants to hear this case on the evidence of the Missouri Pacific Railway, and if that applies to all the roads, that would be so unjust as to need nothing further than the mere mention of it.

Then suppose that would be heard, there is this further question: It does not follow that if one of the roads could make a showing against the law, that it would be invalid as to all of them. Suppose the Missouri Pacific Railway Company could make a showing, under

7136 the unusual conditions that I have referred to against this law——

The COURT: That is a question that would be up for final hearing.

Mr. KENNISH: I know, but I am showing the position that the complainants in this case, in not furnishing defendants data to prepare for this hearing, have placed us at this time.

Let the Missouri Pacific stand on its own showing. Suppose a temporary injunction is granted as to this Passenger Rate Law, then the Missouri Pacific Railway Company would have a right to charge three cents per mile, while the other roads would still put in force the new law limiting them to the two cents per mile. Manifestly that condition of things would not be practical.

I make this recital of facts, your Honor, to show that the State is not ready. That we ought to have the statements showing the effect of this law. I understand from the representatives of the Wabash Railroad this morning that they have the statement with them. We have never seen it. Nor have we received a statement from the Chicago, Burlington & Quincy Railroad. I understand that statement was prepared three months ago, but because there was some revised form of statement desired by their counsel, they refused to give us the one they had.

I am not complaining of their position. They have their own views of the course they expect to follow in this case. I am
7137 stating it only as showing the position it leaves the defendants in to go to trial at this time, under the facts stated.

Mr. HAGERMAN: I do not know what correspondence the Attorney General has had with the different lawyers representing the different roads. I have been here in this case representing the eighteen roads. On the 8th day of June last, without any requirement, without any order of court, without anything, but as a matter of courtesy, we delivered to the Attorney General the statement of passenger and freight earnings for certain periods, after the adoption of the 1907 law; and notified them we would apply to your Honor on the 13th of June to set down for immediate hearing an application for a temporary injunction.

I do not need to say all that took place, but your Honor will bear this in mind; as we were negotiating what kind of an order we could agree upon, the question in controversy, and the whole question, was whether the Attorney General could have his say, and agree to try only the three biggest roads in the State. I insisted I would not agree to anything unless they were willing to agree to try the eighteen cases. One of the Assistant Attorney Generals went out and called up the Attorney General at Jefferson City and came back, and the result was this written order.

So far as I am concerned, I have never agreed to anything else. So far as I am concerned, I never will agree to put these companies in the position I inadvertently put them in, under the law
7138 of 1905. We agreed that although there were eighteen cases on the docket to take testimony under the Act of 1905 in the three largest roads, because the States represented to us that if as to the three largest roads it was shown to be confiscatory and the law wrong, they would dispose of them and dismiss all the cases, and it would be unnecessary to go any further.

We took that testimony. Whether the Attorney — had anything to do with the Governor's messages or not he never protested from it, and I simply read you one allegation of the Supplemental Bill, confessed by the answer: "The Governor of the State in giving his reasons for approving the Act of 1905, indicated that it was with some reluctance he signed the same," expressly stating, "the rate on live stock seems unjust." So at the time of submitting his Biennial Message to the 43rd Legislature of the State, he called attention to the litigation aforesaid, and suggested a modification and amendment to the law to meet the fatal defects therein. Thereafter, on February 27th, 1907, he sent a special written message to the Legislature in which, among other things, he said, in reference to the Act of 1905: "The statute enacted by the last General Assemply is defective in the penality clause which applies only to railroads. The penalty should be made to apply to persons, etc., etc. The cattle clause should be corrected in the light of the testimony adduced in the freight litigation, so as to fix these rates at an amount which will stand the test of judicial action."

From that day to this I have, in Court, privately with counsel on the other side, always taken the position that since they
7139 did not live up to the representations made that induced us to take the testimony of the three largest roads first, but simply amended the law so as to meet what the testimony was in those three cases, instead of meeting and adjusting the general situation in Missouri, I would never agree to anything except an agreement in writing, submitted to the Court and filed as a part of the record, which might result in one case abiding the results in the other.

The result was that in accordance with the Governor's Message they undertook to cut down some of the freight rates, as shown by the testimony applicable to the largest shipments on these three roads, and they undertook to make it up by increasing the freight rates a little, and then make that up by cutting down the passenger rates. Thereafter they filed their amended Bill.

Now, there could not be a misunderstanding when you come to your order. I will show you in a moment what my position, speaking for all the roads, large and small, has been: Either the Attorney General, if he wanted to obviate expense, was to agree upon some case being tried as a test case, or try all the cases.

The minute you try the Burlington or the Missouri Pacific case, and say, this law is confiscatory and the rate should not be over two and a quarter cents, then go to the Legislature and ask for an Act suitable for the larger roads, that would send the smaller
7140 roads out of existence. If there is to be a public hearing in this case, you should have the general situation outlined to you.

Now, we come to your order: I say—and in stating it I will state it all on your Honor's remembrance of it—they insisted that we should not try but the three cases. I would not agree to any order that did not insist on having all the eighteen cases set down for

hearing. Every lawyer in this court room knows that I assumed that position in court, and that is the position I have always assumed.

Now, you made an order: "Orders on an application to set down for hearing at once Motions for Temporary Injunction are deferred for the present and in lieu thereof, by consent of counsel, all the eighteen cases are set for final hearing on the 5th day of October, 1908, or as soon thereafter as the Court can hear the same, upon such evidence as has heretofore been taken and for such further oral and documentary evidence as may be offered under the 67th Rule of Equity Amended."

Every railroad, and the State as well as the railroads, can have the benefit of the testimony already taken in the three cases.

The position of the State, so far as the law of 1905 is concerned, is that it is at an end. We claim we are entitled to a decree under the Act of 1905, because they have repealed the Act. They claim the bill should be repealed because the law is no longer in force.

That is the position we took before.

7141 Now, let me show how the record stands: I may state that I was informally advised after that agreement, that notwithstanding this written agreement, and notwithstanding the order you made, by consent of the State, that no matter what statement was given them, they would not attempt to get ready in any cases except the Missouri Pacific, the Wabash and the Burlington.

Now, as I have already shown you, they had statements in ten of the cases. There is no requirement in law to give them any statement. They are free to go to these books, and they have been since the cases started, and get any statement they want. Those ten statements they have had since June 8th.

Taking the same figures, inasmuch as one railroad would get up a statement in one form and one in another, before I left on my summer vacation, I wrote out a general form and said to each of these roads: "Conform your figures already made to this general form so we will have but one form when the Court begins to consider it, that we can introduce in evidence".

Now these statements, as thus revised, have been prepared and served in eleven of the roads, in some instances not including those already furnished.

Practically all but the Wabash, Burlington, Iron Mountain, and Milwaukee Roads had furnished statements long before, only, as I have stated, as a matter of courtesy.

I am not speaking here for any one of these cases. We are ready in the eighteen cases, according to agreement. I have been here four or five weeks, working to get ready for the trial of these

7142 cases. I have not had a word from the Attorney General's Department as to whether they were to be ready in the cases or not. I am here with my witnesses today and we insist upon a trial of these cases, in accordance with the agreement.

Mr. LADD: Just a word, your Honor, in addition to what Mr. Kennish has stated.

As already stated, testimony has been taken, and fully taken, in the cases referred to, that is, the Burlington, the Wabash and the

Missouri Pacific, thousands and thousands of pages, concerning the freight rates.

Statements were furnished to us before any of that testimony was taken, by those three railroads. We should have, and we expected to have, and we think we had a right to have, statements of a similar nature from those three roads so far as refers to the passenger rates.

I say, in those three cases, because the testimony has been fully taken as to the freight rates in those three cases, and then we could work them together.

I do not know whether they were promised to us or not. I cannot say about that. But we have not got them except in the case of the Missouri Pacific. I believe the Wabash promised theirs by the first of September. But we haven't them.

Now what is the situation. Suppose we were to go to trial. We see those statements for the first time. Of course we cannot examine them here at this table. Our experts cannot examine them, and the consequence would be that it would be only fair there should
7143 be a postponement to give our experts an opportunity to examine them. The lawyers are entirely incompetent to do it. They cannot do it and it could not be done in a minute, or an hour or a day.

Somebody has said, possibly Mr. Hagerman, that they are under no legal obligations to furnish us these statements; why wouldn't it further justice to furnish them, and give our experts an opportunity to examine them, so when the proceedings come on we could proceed in an orderly manner? It would be impossible for us to examine and digest these statements while we are in court. That is the reason we ask for a postponement.

Mr. HAGERMAN: On June 8th, we gave them full and complete statements of the Frisco, Cotton Belt, Colorado, Rock Island, the M. K. & T., the Clinton and Springfield and the Chicago and Great Western and the Chicago & Alton, besides the Missouri Pacific. They have never gone near a single office to look at one of these statements. In my judgment, it has been because they are not going to live up to that agreement about trying the eighteen cases. You will bear me witness in another thing: When we stood here in June, demanding a hearing on the temporary injunction, when they said they wanted ninety days time to look into the Iron Mountain, the Frisco, the M. K. & T. and so on, we all were here and Mr. Evans said: "Go on and employ who you want as experts and as many as you want, and if you come back ready for trial in two weeks we will pay the bill of the experts, in order to expedite the hearing".

The point I am making here is, that they have not taken
7144 the first step. They sit back and say: "We will not do anything unless you can try the Burlington, the Missouri Pacific and the Wabash cases alone", after they have agreed to try these eighteen cases.

Mr. LEHMAN: We have here now a Bill which assails both the freight and passenger rates fixed by the Legislature of Missouri, and manifestly, therefore, the entire business of the companies will be brought in review, whatever theory may be entertained, either by

counsel or by Court, because the whole scheme of rates is assailed by the Bill in each case.

Now that involves the consideration again, not alone of the passenger earnings of the respective companies, but of the freight earnings as well.

I was not concerned in the suits that were originally brought under the Act of 1905, but I am advised as to the selecting of three of the companies which were to stand as types of the rest and that months were required for the purpose of producing the testimony to go into those cases.

Whether we try one case or eighteen at this time, it is manifest that a great deal of time and labor will be involved in producing testimony as to the expenses of the freight and passenger business.

I think the defendants in this case are entitled in any case that may go to trial, preliminary to entering upon the testimony, to a statement showing the expenses and earnings for this reason:

7145 The nature of the business is such that the facts are peculiarly within the knowledge of the complainants. It is not a matter of reproach but it is simply a fact. The facts are complicated in their nature, and no intelligent means can be determined upon without a statement of this kind, and it may be considered as within the nature of a bill of particulars, which is furnished in the case. It has been done in the three cases in which testimony has been taken, as to the freight operations.

Now, I do not see the possibility of going on here, if we are to take all of the eighteen roads and go into the accounts of all of them. It is easy for the gentleman to say: "Why doesn't the State do this?" "Why hasn't the State done that"? The complainants have experts in their own offices. The State has had its experts at work on the statement of the Missouri Pacific. But the State is limited in its facilities. The Attorney General can act only within the appropriation made by law. The suggestion that we might import experts and the complainant would pay the expenses of those experts, I submit to the Court, is not one to be entertained for a single moment. Therefore, whatever the impulse, and I am not finding fault with it, which prompted the suggestion of the other side, it is not one that could be entertained by the State.

We have been at work on the statement we have had.

Mr. HAGERMAN: I have the statement of four roads, and you have not been at work except on the Missouri Pacific.

Mr. LEHMANN: That is the only one we could work on, unless we had some testimony and knew what statements we were

7146 proceeding on. A mere statement of account would be utterly valueless to us.

I think there should be a selection of some of these cases.

Mr. HAGERMAN: If you are in earnest about this, I will leave it to the Court to pick out three cases so as to *to* have fairly representative roads of the State, and we will abide by them; Let the Court say, "all that are in the same class as this one road shall abide by that", and so with the next case, and so on, and go to trial right away.

Mr. LEHMANN: We have three cases in which testimony has been

taken, a great mass of it, but I do not know whether they are regarded as typical.

Mr. HAGERMAN: The reason I agreed last June to try three cases was, that when we took three as typical, the reason I urged upon my associates to take that course was, that the State would dismiss all the cases if the rate was found to be confiscatory as to those three. The State Legislature said it was confiscatory, but instead of dismissing them you amended the law.

Mr. SCARRITT: Isn't it a fact that it was the roads with the largest earnings, and, necessarily, if it was confiscatory as to them it would be so as to the others?

Mr. LEHMANN: I submit it is not seemly to suggest the action of the Legislature as something which should determine what the Court has to do here, in view of what counsel may have done.

The Legislature of the State of Missouri is an independent
7147 body and its action in not subject to stipulations here and I, certainly, for one, would decline anything whatever that undertook to bind the State of Missouri in its legislative capacity. The gentleman has referred to the fact that we have not denied certain things in the Bill of Complaint. We are not required to deny things not material to this case.

I submit this Court should not entertain an inquiry as to the motives that actuated the Governor as to any message he sends to the Legislature.

We have not been in a position to dismiss the cases. You ask us why we did not do this. We will dismiss them now if you will permit us to.

Mr. HAGERMAN: I claim we are entitled to a decree.

Mr. LEHMANN: We are not able to agree as to that, and that is not very remarkable at all. But it does not seem to me we ought to be put to trial here in the eighteen cases. I cannot imagine what the procedure would be. We start here with testimony and they produce their books. We would be in no position to meet them. We think that the three cases should be properly tried for these very reasons that induced their selection in the first place. What those reasons were I am not able to say.

Mr. KENNISH: Just a word about the selection of these three cases which were to be taken as types, and in which the evidence was to be heard. Counsel for the M. K. & T. is mistaken when he states they were selected because it was understood and agreed that if the law was confiscatory as to them it would be as to the rest.

7148 As a matter of fact the State objected to the selection of the Wabash Railroad because it was under the same ownership as the Missouri Pacific Railway.

Mr. MINNIS: The reverse of that is true. Every counsel here will say that the reverse of that is true.

We did not want to put in the Wabash, the Missouri Pacific and the Burlington, but Mr. Hadley said that in view of the disclosures made in the Ramsey suit in St. Louis, in which Mr. Ramsey had intimated that the Wabash and the Missouri Pacific were in combination, and routing business to suit the situation, we wanted both

of those roads to come in. That is the reason why the Attorney General insisted upon it, and these three cases were selected by General Hadley and he would not agree to any others.

Mr. KENNISH: That is not my recollection. They were selected as types of all the roads and there was not anything binding in the selection.

To show the unreasonableness of Mr. Hagerman's position, here were fifteen roads: Nine or ten had furnished statements on the 8th of June, and furnished revised statements since then. He did not state all of that. Some have just been furnished.

Here is what I wish to call your Honor's attention to: That as to these roads, except the three on which testimony has been taken, we would have to begin from the very bottom. Probably the Court is not fully aware what that means. To take testimony in these three cases as to the freight rates, beginning over again in the three
7149 in which testimony has been taken, it means the testimony will never be taken in the world if we are expected to do that.

The COURT: Why not?

Mr. KENNISH: It would take months to take testimony in any one of them. It means thousands and thousands of dollars to take the testimony in any of them, to get up to the point we are now in the three already taken.

The COURT: Then what is to be done?

Mr. KENNISH: After picking out these three roads and agreeing to take testimony in those, why do they want to run away from it? If they have adopted the theory in their Supplemental Bill that all testimony is to be considered and we have both freight and passenger statements, why do they want to go out now for those fifteen little roads? Why do they want to say now, "we want to try those cases"?

Mr. Hagerman knows that it is utterly impracticable and that the State cannot do it. Mr. Hagerman says that all the roads furnished statements in June and the State should be here today ready to try any one of these eighteen cases. I say that is preposterous. Looking at it from a practical standpoint, it cannot and will not ever be done. Why begin at the bottom of these cases?

And now the proposition is to hear them without a Master. I say that the Court, on account of its other business, cannot hear all these cases. Mr. Hagerman says, "I will agree that the Court shall select three and hear those". Why does Mr. Hagerman want to run away from these three cases in which testimony has been taken, un-
7150 less he knows that the Burlington does not dare to come into Court and make a showing under the two cent passenger law, because it will be shown it has made a large profit under the two cent rate. And the Wabash Company, in order to make a showing under the freight rate law, apportioned so much against the passenger business that they dare not now come in and make a showing on all business, both freight and passenger.

It is only fair to the State—the experts for the State are limited—all the railroads have to do is to take men out of their regular work: they are familiar with it. The State has eighteen roads to examine.

It is limited. We have done the best we could. We have gone into these three cases. It will not take much more time and expense to complete the hearing on the whole case, passenger as well as freight rate laws, on these three cases.

I say the Court ought to require these gentlemen to submit the statements they have in their pockets now. The statement that Judge Spencer said two months ago had been furnished to Mr. Hagerman, and I wrote for them and the State has not them, revised or unrevised. Mr. Minnis tells me he has the statement of the Wabash with him here today. Why haven't we it? Who does not the State have it?

Mr. MINNIS: We finished it Saturday only.

Mr. KENNISH: Mr. Hagerman says they did it as a matter of courtesy,—why did they do it at all unless there was some kind of understanding that it was to be done, and that was the arrangement. They would not have done it otherwise. If it was not
7151 furnished we would have gone to the Court and asked the Court to compel them to do it. Just as when the Master had the first hearing, we asked that they be required to furnish statements so that we might prepare even for the cross-examination of their experts; not let them give us a day's time. That the State was entitled to it for the very purpose of cross-examin*a*ting their experts, when the Railroads were making their testimony in chief. That is the only fair way. I say we ought to have had the statements the gentlemen have prepared whether in a revised form or not. I did not ask for a revised form; and I wrote to Mr. Hagerman, and to his office after he was gone, saying: "Give us what you have and we will be at work on it."

Mr. Minnis said he would not have his statement ready until the first of September. I said "give it to us on the first and that will do". We did not get it on the 1st, and we haven't it today.

The only way in which justice will be done the State, and the complainants, and the people, in this litigation, is by taking some road—three were selected at first, no matter what the motive was. I say when we have done so much work and spent thousands and thousands of dollars, taking testimony at Chicago, St. Louis and Kansas City, for two years almost, when we have done that on those three roads, why not go on and finish up for those three roads and let the showing be made on those three?

Mr. HAGERMAN: It is all "rot" to talk about these things. There is a stipulation here that the testimony shall be taken in the three and that the eighteen shall abide by it. It is all "rot" to say
7152 that the Wabash and the Missouri Pacific are going to run away. Why, they are here, ready to try their cases today.

If these gentlemen had not undertaken to repudiate their agreement made in June, and state that under no circumstances would they get ready for any cases except the three, we would proceed here today.

I have made the statements, and it is up to your Honor, since they will not live up to their agreement, and I repeat, and every person present at that hearing will bear me out, that the sole reason why

the three roads were named in the order was because I stood there and refused that those three cases alone should be tried. The Burlington is ready and the Wabash is ready and all the other roads are here for trial.

When it comes to the Burlington case or when it comes to the Wabash case and these gentlemen have been misled, it is time then for the Court to cross that bridge, when you meet it.

But bear in mind, ten of these roads applied for a temporary injunction and on June 8th made statements as to these companies. No testimony has been taken yet as to the passenger part of the business, in any of these cases. The balance of the roads since then have delivered statements to the State.

Do not let it enter your head for a moment that we are running away. We are ready to try the Burlington, the Wabash, and
7153 the other sixteen cases. They are there on the docket. They made an agreement in your presence, and we demand that when the State got this law held up four months longer, on June 8th, you ought to make them live up to the order.

Mr. CLARDY: I wish to add, that I was not present at the last session of this Court when the order was made, but the order speaks for itself. The order, unlike its predecessors in this case, set the eighteen cases, all of them, down for a hearing today. Now I do not see how Mr. Kennish can say Mr. Hagerman is running from the trial of the three cases. He certainly is not running from the order. And Mr. Hagerman has explained why he thought it was necessary some of the other cases should be tried, rather than the three cases which were selected to be tried in the first instance.

Now, if your Honor please, having these statements since the 8th of June, they have not attempted to examine the Frisco or the Rock Island, or any of the roads, except the Missouri Pacific. They have been prowling in the records of the Missouri Pacific, I think, for two or three months—a good long time for human prey, or some other kind of prey.

It may be, as Mr. Kennish says, it will be utterly impossible to try all these eighteen cases. It certainly will be if they propose to devote that much time to each of them. I remember that the standard case, the leading case in this country, Smythe versus Ames, was tried just as we are proposing to try these cases, and all the testimony was heard by the Judge of the Court, Justice Brewer himself.

7154 Now in this case we have the testimony herein taken. It is applicable, in its main features, to any of the new cases that arise. When a case is called (and I think the cases ought to be called in their order), and the testimony for the complainant is adduced, the gentlemen can verify, or, rather, they can criticize the testimony which has been offered. They have the means of getting all the testimony in the possession of the railroad companies, whenever they need it, and we will never try these cases unless we live up to this order and try them as set on the docket.

The COURT: I cannot say that I am especially surprised at the

turn this matter has taken, because I have suspected it for the last one or two months.

In view of that I have made some tentative arrangements. It was on my mind, two or three weeks ago, to write to all the counsel declaring a modification of this order of the 13th of last June. But, upon reflection, I thought it would be much for the better to have this controversy out. A good many of the counsel were in Europe, or elsewhere, beyond my reach, and I did not know just what turn matters would take during the summer, so-called vacation period.

I think it is better that I make a few statements which have not yet been made but which I have not forgotten.

The Legislature of 1905 enacted a so-called freight rate statute, the validity of which was attacked by several of the eighteen railroads now before the Court. I, sitting alone in this room, heard the application for a restraining order, and granted it. Two or three weeks after, sitting in conjunction with Judge Phillips, the
7155 temporary writ of injunction was argued. Next December (I was not present), the railroad companies made an application for a trial on the testimony taken, in open court. The Attorney General resisted that, as the records will show, insisting that there should be a reference.

I learned from conversation with Judge Phillips, that he followed the suggestion or dogma of Justice Brewer in some later case than Smythe versus Ames, in which Mr. Justice Brewer made complaint of the great labor thrown upon the judge who would try the cases upon testimony taken in open court, denied the motion of the railroad companies and sustained the motion of the Attorney General and made a reference, selecting Mr. Schofield of Hannibal, Missouri, as Master.

That was December, 1905, since which time, as I learn, perhaps outside the records, the Master, Mr. Schofield, has taken a great deal of evidence, perhaps in three cases. I do not know as to that.

The Legislature later on enacted a statute repealing the Act of 1905 and enacted a substitute therefor and at or about the same time, whether before or later I do not recall, enacted the two cent passenger rate statute.

About the time that statute was to go in force, in June, 1907, there was a very spirited controversy as to whether the State court or this Court would take jurisdiction as to the 1907 statute.

I made an order allowing those Bills to be treated as Supplemental Bills, after a very strenuous day here, as you will all remember, taking it under advisement from Saturday evening until Monday at two o'clock.

7156 Later on a very earnest controversy arose as to whether or not this Court could take jurisdiction, by reason of the eleventh amendment.

I believe, and had no doubt at the time, that this Court would take jurisdiction, but the Attorney General, Mr. Lehmann and Mr. Ladd, earnestly contended otherwise, as they had a right to do and with much reason, and it was afterwards held in the *ex parte* Young case, the majority holding that it was not in violation of the eleventh

amendment. I held up my conclusion until the *ex parte* hearing in that case had been decided, as I recollect it.

Mr. HAGERMAN: It is only fair to state that was under our protest. We were asking to proceed all the time.

The COURT: I do not know what I announced, but mentally I was with the railroads upon that question, but I thought common courtesy to the Supreme Court required that I withhold my views, knowing the question was to be presented in the *ex parte* Young case, and perhaps some of the cases in the Southern states.

Now, then, the 13th of June came around and these orders were presented to me, and I signed them as prepared. They recite that by consent of counsel all of the eighteen cases are set for final hearing on this 5th day of October, on oral testimony, under Rule 67 as amended.

I thought then, and I can see now, it was an inopportune day, owing to the business of the Court for the Fall. Within two or three days from that date I believed it was my duty to confer
7157 with the Circuit Court judges upon this situation, knowing the cases would not go to that court upon an appeal but necessarily would go to the Supreme Court, and they being in charge of Circuit Court matters and controlling the situation rather than the District Judges, I took the matter up with them through the Senior Judge, Judge Sanborn. It is unnecessary to state all that correspondence. I did that because I could see, and I felt then and feel now, the great importance of the cases and the gravity of the situation, and insisting that I ought to have some one sit with me in the cases.

Tentatively, afterwards, nothing definite, it has been suggested that I have help. How that will come out I do not know. If I get assistance, I do not know who the Judge will be. I have nothing further to say upon that.

This matter has been intensifying within my mind during the last two or three weeks on account of my own Court. The thought kept growing upon me all the time that perhaps these cases would not be tried now. I have the business of my own district to attend to. From time to time I have had more or less indefinite conversation with the different counsel, some for the railroads, and with Mr. Kennish as representing the Attorney General's office.

Members of the Bar well know that this is by considerable the largest circuit in the country, and notwithstanding there are four Judges they simply cannot do the Appellate Court work, and are constantly calling upon the District Judges to sit with them. That further intensifies the situation.

7158 So, within the last two or three weeks I have tried to arrange affairs in my own district for the time being, as I have been unable to get help there. So, partly because counsel for the State are not ready, and partly on account of my own situation, putting it upon both grounds, there must be an adjournment of these proceedings.

There are one or two further things I want to say that counsel have not stated, since the temporary writs of injunction, three or

more years ago, that Judge Phillips and I ordered, that pedestal falling to the ground with the repeal of that statute, there has never been an injunction in the State of Missouri with reference to this railroad question except the injunction issued by myself, by agreement of the parties in court.

There is an injunction in existence in this court with reference to freight rate statutes, and that is an injunction which has never been argued except in the most cursory way on the 15th of June a year ago. and decided by me on the 17th of June, in which, by agreement of the parties, a temporary injunction should run as to freight rates, and I denied the injunction as to the passenger rates, saying the matter should be decided by actual experience for five months. I believe that is the period of time I fixed. Counsel had already agreed, and I had declined to listen to their agreement, during the noon hour of that day, and told them I would decline to accept any proposition as to an agreement, and after I had said what I had to say then would listen to and carry into effect an order for a three months rather than five months test which I had proposed.

7159 These matters are not of much importance, but it is just as well to keep these things straight.

The three months ran by, five months went by, and now fifteen to eighteen months have gone by.

Another thing I want to call the attention of counsel to, and it is important and I emphasize it as much as I can by language:

Something like six months ago, the exact time time I do not recall, but I think from Joplin, I wrote to the Attorney General and Mr. Hagerman as representing the two sides, that I very much preferred there be no more agreements made in this case excepting in writing filed with the Clerk of the Court. I did that because every few weeks I would head something about agreements and I would go to the Clerk's office, and I could not find them. I complained of this thing of making agreements on the outside. When I wrote those letters I was building more wisely than I then conceived of.

Mr. HAGERMAN: I lived up to that.

The COURT: Because the situation this morning shows why outside agreements should not be made. Not because counsel violate them purposely—no one is accusing any one of violating them, on either side—that is, I do not; of course, you gentlemen accuse one another.

It shows the wisdom of the law that oral agreements between counsel are not subject to proof. The situation this morning illustrates why that ought not to be done.

7160 Part of the order I now make is, that all agreements and arrangements that are not filed of record or recited in the order for these eighteen cases are now and here abrogated, as far as the Court is concerned, and the Court from this time on will not listen to any of these agreements; and counsel will waste their time from this time on to speak of agreements made outside of the court room. The record alone will speak of what the agreements are.

That must be emphasized and must be understood. All agreements heretofore made between you gentlemn must be brushed aside.

Now please don't let some lawyer get up here and say what has been agreed to outside the court. I am not speaking offensively, but it simply shows what misunderstanding will arise from time to time about these agreements.

I do not know whether it is so, as Mr. Kennish states, that these cases cannot be tried for years. Suppose they cannot? What of it? You never get anything done until you commence, and then you cannot get it done unless you stay by it.

I have made my arrangements, if I am to try these cases, either alone or in conjunction with somebody else, that when I do come back here, which will be soon, that I have come to Kansas City to stay until these cases are concluded. It may be for such time that it may be fairly said I have gained a residence here before we get through; or it may be only a few weeks.

All these eighteen cases will be tried. Why a blind man can see, and I hope I am not offensive about this, that it is to
7161 the interest of the railroads to pick out some weak companies to test this law with. And a blind man can see that it is to the interest of the attorneys representing the State officials to pick out the strongest companies. Anybody can see that. It is unnecessary to argue those matters here this morning. If I could not see through this I would not be competent to try any of these cases.

Now we will take the strong with the weak, and the middle aged, and all of them, and try all these cases, unless you gentlemen will file agreement in writing with the Clerk, not only as to such cases as will be tried, but also what will become of the others of the eighteen cases. I know that a great deal of the evidence taken in one case will be germane and pertinent to all of the cases. And of course such evidence need not be duplicated.

On the morning of the 9th of November, 1908, I will be here, and these cases will be taken up, in addition to the testimony the Master has taken, and in addition to agreements filed with the Clerk.

Mr. HAGERMAN: I was here in June, 1907, and June, 1908, saying there was no agreement and being charged here today that there is some arrangement about the thirteen cases, I think you will——

The COURT: You gentlemen be here Monday morning, November 9th, prepared to take up eighteen cases and none of the eighteen cases will drop out except on written agreement filed with the Clerk.

Mr. LADD: I would like to ask Judge Spencer whether we
7162 can have the statement of the Burlington Railroad.

The COURT: I will not be a party to that. I have nothing to do with that. I have tried to be understood. Those are matters for private conference at the hotel or law office.

Judge SPENCER: I would like to answer Mr. Ladd's question.

The COURT: You need not answer it.

Mr. HAGERMAN: I wish to ask in which order these cases are to be tried.

The COURT: I will write the order up today and send to counsel copies of the order. I suppose in numerical order. I suppose in the absence of an agreement otherwise, that will be the order that will be followed.

Mr. LADD: Why should they not come up in the order the testimony has been taken?

The COURT: Why can't I order that the evidence taken in one case so far as it is germane, may be used in all cases? It would be folly to make unnecessary expense for either the State or the railroad companies. The evidence heretofore taken by Mr. Schofield I apprehend can be required to be the evidence in each and all of the other cases in so far as germane.

Mr. LADD: A good part of it is germane.

The COURT: Another thing I should have said, I want you gentlemen between you to have three stenographers here so that a copy of the evidence can be furnished daily. If there is only one, I will be three months getting the evidence. I shall want one copy for my use and such other copies as you may desire.

7163 Mr. HAGERMAN: We will settle that.

I know as well as I am here that the three cases——

The COURT: I say the eighteen cases are subject to call. If you can beat that in phrasing—no doubt you can—you may try it; but the eighteen cases and not the three cases are subject to call.

Mr. HAGERMAN: Will your Honor make the order?

The COURT: I will write those orders today or tomorrow.

Mr. LADD: What is there to interfere with the taking of these cases in the order the testimony was taken?

The COURT: I will write those orders today or tomorrow and send copies to counsel in the cases.

At this point further proceedings herein were adjourned to November 9th, 1908, at 10 o'clock A. M.

No. 2988.

7164 ST. LOUIS & SAN FRANCISCO RAILROAD COMPANY et al.

vs.

HERBERT S. HADLEY, Attorney General of the State of Missouri et al.

KANSAS CITY, MO., *November* 9, 1908.

Met pursuant to adjournment as above on Monday, November 9, 1908, at Kansas City, Mo., when the following proceedings were had:

The COURT: The case of the St. Louis and San Francisco Railroad Company versus Herbert S. Hadley, et al. is the first case on this docket: Are plaintiff's counsel ready?

Mr. HAGERMAN: We are ready.

The COURT: Are defendants' counsel ready?

General HADLEY: I think the defendants are ready.

The COURT: Call the first witness.

Mr. HAGERMAN: I presume we ought to outline the method and the manner of proof, and the theories we have about the matter before we introduce the testimony.

The COURT: Very well.

Mr. HAGERMAN: In this case we have heretofore delivered, as a matter of convenience to the State's representative, statements of the earnings and expenses of the different roads for certain period, so

their experts could check up from the books; and I have not heard whether there are any differences between their experts and ours.

But, in general, there are involved here now two controversies of fact.

First. First as to the maximum freight rate law of 1905 and 1907, and also the two cent fare under the act of 1907, which relates to the passenger traffic.

7165 I think probably we can assume, without going into any details as to the Act of 1905, except as to such roads where the testimony has been taken, that if the law was confiscatory as to the law of 1907, it was manifestly so as to the law of 1905, because the result of the Act of 1905 was to increase the maximum rate upon some commodities to meet what the Governor claimed——

The COURT: You mean the reverse of that. You got your dates wrong, but I understand you. You said 1905 when you meant 1907, and vice versa.

Mr. HAGERMAN: Therefore, in the St. Louis and San Francisco Railroad case it would tend to a more intelligent view to confine ourselves to the figures for 1907.

As I understand the fact which is to be determined, it is, whether the rate which has been fixed by the legislature is or is not confiscatory. Therefore, we start with the proposition that a valuation of the property must be taken, and you ascertain what return you receive thereon, and what returns you ought to receive. That is to say, to start with, the prime factor is the valuation.

The next thing is the return you get on it.

Now, a railroad property is a peculiar thing. It consists of a whole that is divided into different kinds of traffic. That is to say, there is strictly freight as distinguished from miscellaneous, because there are some kinds of earnings which are not properly, technically, only from freight. Then there is passenger earnings, and then miscellaneous passenger, consisting of mail and express.

Therefore, when you deal with the classes you will have earnings divided into freight, passenger, and miscellaneous. And you will have passenger earnings subdivided into passenger, miscellaneous, and mail and express. That is to say, the money earned

7166 upon the passenger traffic that is really not affected in one way or the other by the rate that is fixed per passenger.

Now, in fixing this return which one is entitled to have upon his property, you must first find the value of the property as a whole, and then you have got to assign a certain proportion of that as representing the valuation of the property upon which you are entitled to a return for freight or passenger, or upon which you are entitled to a return upon it as a whole property, upon whichever theory it may be determined is the correct one.

I think I may safely say, for the purposes of this case, if our theory is right, that we need not be much troubled in the introduction or consideration of testimony, as to the value of the property as a whole.

That is to say if the theories which the railroads have as to these cases are correct, we can take the assessment which the State Board has fixed. that is, they ascertain the full value of the property and

assess it at one-third of that value. We can take that practically for the case at present, as representing the value upon which we are entitled to a return upon the property as a whole.

Now, when you come to subdivide, we say (and the Courts have said every time they have had occasion to pass upon the question) in assigning the proportion of the value of your property upon which you are entitled to obtain a return, you divide it upon what is known as a "revenue basis". That is, you take the amount of your gross earnings. You are going to ascertain now what is assignable to freight and what is assignable to freight as subdivided, be-
7167 cause when you get to the freight it immediately subdivides itself into state and interstate freight, and we in this case are only dealing with the state as distinguished from the interstate.

Now, you want to find out how much value of this property is assignable to state freight. You find out what proportion of all the earnings received from the property, which of course, are actual; that is, the returns come in and from the billings themselves, or from the passenger tickets, or the returns of the conductors.

There will be no difficulty, and there probably will not be where the experts have checked up, any difficulty about the returns from the property as showing actual receipts. You will have actual total earnings of the road in Missouri, and you will have the actual total receipts from state freight or from state passenger business. That will be a certain proportion of all the actual earnings in the state.

Therefore, you take that proportion of the entire property, and that represents the value upon which you are to obtain a return for the particular classes of traffic about which you are making inquiry.

After you have thus got your earnings, and got the percentage of the assignment of the proportion of the value upon which you have a return—and I would be very glad at any time to have your Honor, if I do not make myself plain about this, call it to my attention, because I am not now dealing with where the figures lead us, but with the principles which are to be established—you have then, starting with first the value of the property next the actual earnings, subdivided into state and interstate, and the percentage of those
7168 earnings as a whole, so as to ascertain the value of the property upon which you are entitled to a return upon any particular class of traffic.

Next, we come to the expenses: in practical railroad operation there is no serious difficulty, and probably little if any difference between the experts upon both sides as to what constitutes the expenses of freight and passenger business in the state.

But the difficulty and controversy will rise upon how to apportion those expenses.

In other words, the expenses now are dealt with as a whole, and necessarily, from the very nature of the operation of a railroad, a passenger train carrying both state and interstate passengers, or a freight train carrying both state and interstate freight, the same crew of men doing the work; and the difficulty comes in dividing state freight and passenger expenses upon some basis.

Now, we say—and the Court has said it also, and especially in this circuit—that when you divide that expense of doing the state

business as between state and interstate, you divide it in proportion to the amount of revenue received from the particular traffic.

Now, having ascertained that,—(if I make myself plain, because I want to outline the theory upon which our proof will go in) when you have your proportion the state will say—I assume from what the opposing lawyers have said in taking the testimony under the act of 1905—that instead of dividing the expenses of the state traffic between state and interstate upon a revenue proportion, it ought to be divided upon a ton mile proportion, which in actual figures reduces itself down to a difference practically of fifty per cent.

But whoever is right, that is a matter of testimony and
7169 proof and reasons given. Whoever is right, whichever way you divide it, whether in proportion to the number of ton miles, or whether you divide it in accordance with the proportion of the revenue received, in the end you will have ascertained for yourself the amount of the local earnings, or state earnings, from the respective classes of business, freight and passenger. And, next, you will have the actual operating expenses chargeable against it.

Now, then, you come to the next thing you are to consider:

The freight as to the next item stands a little bit different from the passenger in this: that the old rate is still in existence, because there has been a temporary injunction against the enforcement of this maximum freight rate law. As to the passenger business, there is no temporary injunction, so what I am saying now has no application to that.

The next thing to be deducted from this sum as an operating expense, because it is added as an expense to offset earnings, is what is known as diminution of state rate earnings, had the law been enforced. That is to say, we are trying to find out what would have been the return under the Act of 1907. Assuming now that ten per cent of all the earnings from state freight would represent what would have been lost if you had charged these rates that have been enjoined, to-wit, the rate under the present law. That is what we call diminution in freight earnings. Therefore you ascertained what we would have lost, that is, what we would have received less than we did receive had we put into force these rates upon these commodities which your temporary injunction enjoined. When you have got that far, and bear in mind that has no application to passenger business, because the two cent rate has been enforced, then you have the net result of actual operation.

7170 Then we come to one feature further.

It is the settled rule of the cases, and upon principle you can see it is so, that it costs more to do the state business than the interstate.

To give you one simple illustration why that is so, without going into the various reasons that will be assigned by the expert witnesses, because you will probably find, before you get through with these cases that every expert agrees with the proposition that it costs more to do the state than the interstate business.

The question is, the amount, and upon what items of operation expenses the extra expense should be charged.

But let me give you one illustration that will be quite simple: Here is St. Joseph and Kansas City within sixty-five miles of each other. Probably there is more value to the terminals of a road like the Burlington railroad at St. Joseph and Kansas City than of all the other property between the two points, because of the vast amount of terminals necessary for a great road like the Burlington to have. There is an immense expense, and for employés, in the way of investment of property and in the way of a thousand things you may think of.

You take a state shipment of freight from St. Joseph to Kansas City, and included in the expense of doing that business is not only the haul of sixty-six miles, but the terminal expense at St. Joseph, the original point, which is wholly within the state, and the terminal expense at Kansas City. Those expenses with these large cities being probably twice as much as the expense of carrying the freight between the two points.

If that were an interstate shipment, starting now at Kansas
7171 City, Kansas, say, and going to St. Joseph, Missouri, exactly the same distance, the mileage would be practically the same, and eliminating the terminal expense for the purpose of this illustration, the carrying expense might be the same for the sixty-six miles, and the terminal expense at St. Joseph might be the same; but when you get to Kansas City that terminal expense is excluded from the interstate shipment, but included in the state shipment. In other words, there would be two terminal expenses.

So, if a shipment would start at Olathe, just below Kansas City, just across the line, five or six or seven miles, and headed for a little town opposite St. Joseph, it goes over the Burlington road. There you would have a case which would not reach the Burlington until it come to Kansas City, and it would leave it when it got to St. Joseph, and there would not be any terminal expense as compared with the Kansas City shipment, or any terminal expense as compared with the St. Joseph shipment.

You will find from the testimony, and you will find from the statements of witnesses, that every expert has additional reasons for suggesting why there is additional expense for doing state over interstate business.

A tr. ill be running over a branch road of the Missouri Pacific, running down from Jefferson City to Bagnell—or take any other branch line where ninety-nine per cent of the business is state business. There they have slower trains, they occupy more time of the men. The men upon the through trains going through to St. Louis would go three or four times the distance in doing their work and accomplish four or five times the result of what would be done upon the branch line.

7172 Without carrying out the illustrations any further, I merely call these things to your attention. Manifestly you must recognize there is an increased cost of doing state business over interstate.

Now, the question is, to ascertain what that increased cost is. The Supreme Court of the United States says there is only one way

on earth by which you can do it, and that is to take the judgment of experienced railroad men. Therefore, when you get to the end of what are the operating expenses, to be deducted from the earnings, you must add to the state operating expenses whatever may be ascertained from the testimony to be the extra cost of doing the state business over the interstate business is.

Now, after that has been ascertained, every one of these railroads with possibly one exception in the state, has a bonded debt upon its property. It has interest charges to meet, which is a thing properly chargeable against the property because before you can get to the earning power of a property you have got to meet the fixed charges upon it, or you could not turn a wheel. Every road would be in the hands of a receiver, if the interest charges were not met. Therefore, you ascertain the interest charges to be charged to the particular class of traffic.

Now, how do you reach that? Your interest charge probably applies to the entire system. How are you going to divide it among the states? Here are so many million dollars paid by railroads in interest. I think probably all the experts on both sides will agree that the Interstate Commerce Commission adopts certain theories, and they will probably have no differences in finding out what part of that interest of thr whole system is applicable to the state of Missouri.

But when you come to the state of Missouri, and you divide
7173 the interest charge as between state and interstate business you are back again practically to where you were when you were dividing the operating expenses which were necessarily divided between state and interstate.

There we say again, just as you ascertain the value upon which you are entitled to a return, just as you ascertain the amount of the expenses to be applied as between state and interstate, you take the revenue basis, the actual returns upon the property.

Now, after you have done that, if there is any excess in value upon that property, you are entitled to have a return which is equal to the legal rate of interest, which is six per cent, upon the valuation of the property, whatever that may be.

For the purposes of this case, unless there is something radically wrong in the figures which have been submitted,—and yet, if there is anything radically wrong we have never heard a word or an intimation from the other side—but whatever observations have been made by their experts is that there is no substantial difference in the figures.

What I say is, if the theories I have now outlined to your Honor be correct, then there is not a railroad in the state, if you take the minimum extra cost, if you strike down the extra cost, that is getting a return upon the valuation that has been adopted by the State Board for the purposes of taxation. If you apply the minimum, this very minimum of extra cost that any witness, even their own, will adopt—judging from the testimony they have already given—if we are right about our theory, there is not a railroad in the state that under these

laws can earn upon either kind of traffic, considering them
7174 separately, as much as two per cent. There are probably not three roads in the state, so far as the passenger earnings are concerned but what are behind, and cannot earn a dollar.

As I understand the order setting these cases down for trial, (and I would like to be corrected if I am not right about it) upon the question of expert testimony your Honor does not require us after one expert has testified in a case to recall him in another, because that would be simply duplicating the testimony.

But that leads me to call to your mind one or two important features of expert testimony, where the testimony will be largely alike in every case. I have already adverted to the extra cost of doing state over interstate business, and the fact that the Supreme Court has said that the first question of fact to be determined by the judgment of experienced people—not merely auditors who never knew cases and that is the extent of the expert testimony introduced when he took testimony under the act of 1905,—but of actual experienced operators; those are the ones to say what that is.

Again, there is another feature of expert testimony which is exceedingly important, and which involves itself in this subject of diminution of earnings on state freight if we had complied with this law of 1907.

For instance, take any one of the roads. Here is the statement of the St. Louis and San Francisco road. The state freight is practically twenty per cent of all the freight, diminishing to that extent the total earnings of the company, if they had complied with this law it would have been a certain per cent of all state freight.

If we are right, by the testimony which we will introduce, it is a practically impossible thing, for a state situated as Missouri is
situated, to make a state rate that does not compel the fixing
7175 of the interstate rate at the exact state rates and that present diminution would have to be made applicable to the state rate in Missouri. And when you get to two or three million dollars, that amounts to a very substantial sum.

Therefore, you will be confronted with the testimony of experts upon the proposition that you cannot in Missouri pass any kind of a maximum state rate law fixing a rate that does not necessarily fix and determine what the interstate rate is to be.

The illustration that was before peculiarly applicable to this state may be made now, that you may carry it in mind and see that that is one of the issues in this case from which there is no escape. It is one of the things upon which there must be a finding of specific fact for determination ultimately, in some form, whether your Honor adopts our view about it or not. Here are the Burlington and the Missouri Pacific Railroads. That is the plainest example of it all, because they are the two great trunk lines, the two lines doing the great state business in the state of Missouri. Between St. Louis and St. Joseph these two lines compete for business, and they are the most important points in the state if we except Kansas City and St. Louis traffic. But next to Kansas City, St. Joseph comes, and the traffic is tremendous. Now if there is a maximum freight rate law that gov-

ents and determines what the Burlington road, with a service as perfect as a railroad can have it, shall charge from St. Louis to St. Joseph, or you say in the passenger traffic the Burlington road can charge only two cents per mile from St. Louis to St. Joseph, the Missouri Pacific with practically the same mileage, with practically the same kind of a road, both of them perfect you might say, as examples of railroads in operation, yet the Missouri Pacific runs in going to St. Joseph practically the same mileage when it comes to
7176 Kansas City, and extends out into Kansas and back into Missouri, which makes it under the decisions of the Courts interstate business. The minute you diminish the rates for the Burlington and make a rate of two cents between those two points, the Missouri Pacific road has got to go out of business, for all the traffic between St. Louis and St. Joseph or else conform to the rate the Burlington road is compelled to make.

Exactly the same condition exists between Kansas City and the mining district, the Joplin and Carthage districts. The Frisco road, the old Kansas City, Ft. Scott and Memphis, and the Kansas City Southern run out into Kansas and back into Missouri, so making all the traffic destined over those lines from Kansas City to the Mining district interstate commerce. The Missouri Pacific Railroad is running directly through without touching another state, and that is all state commerce.

The minute the legislature says to the Missouri Pacific you cannot charge more than a certain rate, neither the Kansas City Southern nor the Frisco can do a minute's business, or cannot carry a pound of freight, or a single passenger, without putting the rate down.

Of course, there might be exceptions to that where some road was not giving the service, but I am taking the roads that are giving the service.

Those are practical illustrations of the result of the situation in Missouri as distinguished from different states.

But that is a principle which is applicable to every state in this country, surrounded by different states, with the same railroads practically reaching the same territory, and with the same methods of competition.

We will prove beyond a shadow of a doubt, that as a matter
7177 of fact whatever may be the legal result, and if these cases ever get to the Supreme Court of the United States upon appeal of either party, that will be the first question before the Supreme Court of The United States that no rate can be fixed for the State of Missouri that does not necessarily have an effect upon interstate commerce. But that is another element of the expert testimony.

Still another question where the experts may differ is, whether in assigning a property proportion of the property upon which you are going to get a return or in the division of expenses you shall adopt the revenue or the per ton mile basis. Experts may differ upon that. I do not know what the state's testimony will be upon that subject, and upon that subject you will have to hear the expert testimony.

So that in the end, if you keep in mind the principles and the leading features of the contradiction of expert testimony, thereafter it becomes a mere mathematical calculation, applying the different figures of the railroad company to the principles you may adopt as the guiding ones in the case.

I have made this statement that upon the theory, so far as we have been able to learn, there will be no serious difference between the experts of the railroad companies who have prepared their statements, and the experts of the state who have checked them over.

But the differences may come upon the division.

Now, one word more: So far as this circuit is concerned, without stopping to argue it now, it was here that was originated the proposition that a railroad must have a just return upon its property. Smythe vs. Ames, from Nebraska and then Tomkins vs. the Milwaukee road went from South Dakota, and then the South Dakota case before Judge Amidon and Judge Thayer sitting together.

Then in the Arkansas case Judge Vandeventer has stated
7178 that the way to determine and try a case of that kind is ascertaining the value, set aside for state freight earnings an amount upon which you are entitled to your six per cent return, the proportion must be based upon revenue. That is, your expenses must be divided upon the revenue basis.

If that is so, then our theory is right. If there is some other theory to be adopted, it is a different one than has ever been adopted by the Courts before.

General HADLEY: There is so much that my frined Mr. Hagerman has said that more properly belongs to final argument than to an opening statement, that I will not undertake at this time to make any answer to it.

However, I recognize the difficulty of undertaking to deal with these controverted questions that arise and will lay aside argument and deal alone with a statement of facts.

If Mr. Hagerman is right on the final proposition laid before the Court for consideration at this time that the fixing of any rate by a state necessarily affects the interstate rate; and, secondly, that it is a violation of the interstate commerce law, and of the constitution, then the police power of a state to regulate charges of public corporations doing business in its domain, ceases to exist, and there is no question of fact to be decided in these cases at all.

I undertake to say that the proposition that the settled rule of the United States under the decisions in the rate case is, that the right to fix rates wholly within the state, does belong to the state, and as
Justice Brewer said in the case of Smythe versus Ames, the
7179 question of what was the effect upon the interstate rate as affecting profits upon all the rates is a question the Court does not deal with.

I undertake to say that at this time and to make clear to your Honor the issues of facts coming before you for decision, I can be more helpful by telling you briefly what has been done and what has already been proven and what are the two theories, than by un-

dertaking to make any discursive arguments on the theories of dividing expenses.

In 1905 the people of this state, acting through their members in the legislature, acting apparently upon the theory that the rates in Missouri were too high, passed a law reducing them. I think that reduction was 30 per cent, that is, the reduction from the rates of the Railroad & Warehouse Commissioners in 1904, which had been accepted by the railroads, I undertake to say with a pronounced degree of enthusiasm, upon state traffic. That law was enjoined, your Honor sitting with Judge Philips making an order enjoining the enforcement of that law.

We proceeded then to the taking of testimony and testimony was taken for a period of six months, to show earnings and expenses in the case of the Burlington, the Missouri Pacific and the Wabash Railroads. That testimony dealt alone with the question of freight rates, it being then the contention of the railroads that the reasonableness of the act of 1905 must be determined upon the returns from the freight business alone, and that they could not take into consideration the earnings in the passenger business.

It was the contention of the railroads in that litigation
7180 that the expenses between state freight and interstate freight should be divided in proportion to revenue. And it was also their contention that the expenses which were common to the freight and passenger business should be divided in the same way.

Their contention was that it cost from three to seven times as much in proportion to revenue to produce a dollar of earnings in state freight as it did in interstate freight. And some of their experts so testified although that testimony was largely limited to that class of witnesses who are now discredited by Mr. Hagerman under the general name of railroad auditors and accountants.

We combatted that theory in the three cases, contending that the method of dividing expenses between state and interstate freight business must necessarily be determined by the cost of doing that service. That there was absolutely no more relation between the earnings in the two classes of traffic as constituting a divisor for determining the expense assignable to the different classes of traffic, than to take an arbitrary ratio of sixteen to one or any other ratio that might be suggested by the ingenuity of counsel or expert witnesses.

To illustrate, because that is to be a determinative issue: it has been shown by the testimony that the people in your state (Iowa) have been more active, energetic and successful in working out this problem of railroad legislation, than the people in Missouri, and that the rates in Iowa are about 25 per cent lower than in the state of Missouri for doing the same class of traffic, although the im-
7181 aginary line which divides the two states does not cover any different class of traffic in northern Missouri than it does in southern Iowa.

This results in the conclusion that the expenses of doing state freight business are proportionately higher in the state of Missouri for the reason that the rates are higher, and the higher you get the

rates upon state freight business the higher becomes the expense of doing that business; and the lower you make the rates the lower becomes the expenses.

In order that you may understand the controversy up to this time, assume that the earnings of state and interstate freight for the period of a year were five million dollars. One million dollars was produced in state freight business and four million dollars in interstate. The contention of the railroads has been, and I understand from statements of counsel, will continue to be, that the expenses, which we will assume were four million dollars for doing both classes of business in the state, should be divided in proportion to the revenue produced by the two classes of traffic with an added increase of three to seven times more for state over interstate business.

The logical result, if it should be divided according to revenue, would be that one-fifth should be assigned to state business. If so you should increase that by three to seven times as much. If for some reason the railroads should reduce their rates for the handling of state traffic, so their earnings in state freight instead of one million dollars would be a half million dollars, the same business being handled in the same way, their contention would result
7182 logically in the conclusion that the expense of doing that business had been much decreased, simply because the rates had been decreased, although the same number of men had been employed, the same trains operated, the same warehouses employed, and the very same service in all regards rendered.

It is our contention upon that phase of the situation that the expenses should be divided according to the cost of the ton mile service. We say the unit of measure in such cases is the ton mile. That is, the measure of division of expenses is the cost of the service and not the revenue produced from the service.

We concede frankly in this case that there is an added expense for the carrying of a ton of state freight one mile as compared with the cost of carrying a ton of freight in interstate freight one mile.

It is our contention that the evidence will show that that added expense of from 15 to 25 per cent is more than made up with the greater revenue that is produced from that class of traffic.

For instance, the evidence in this case which we will submit to your Honor will develop this interesting state of facts to be true:

Take the Burlington line, which serves as a fair illustration of the other roads, and it will be shown that in the interstate business done in Missouri the average return per ton per mile amounted to .008235 while the average return produced by the state freight business for each ton of freight handled one mile was twice as great, being .017032. That situation has resulted in this most anomalous and surprising situation: that the Burlington Company, which has
7183 something like eight thousand miles of road, if I recollect aright from the testimony, has about 11 per cent of its mileage in the state of Missouri and has an average net profit upon each mile throughout its eight thousand miles of trackage throughout the various states of the West, of $2,500.00 per mile, while upon every mile of road in the State of Missouri it secures a net revenue

of $5,000.00 per mile, simply because the rates in the State of Missouri for state traffic are from 25 to 40 per cent higher than they are in the states of Iowa or Illinois and fully as high as even in the states of Nebraska and Kansas. Consequently, there is, according to our contention, and as the evidence will develop, an unjust tribute levied upon the people of this state by the railroads in higher proportion on state rates as compared with interstate rates than the difference between the two classes of traffic would warrant or justify.

Aside from this question of division of expenses between state and interstate, there are many interesting questions of law developed in the dozens of these cases which are familiar to your Honor.

In 1907, following the taking of testimony for something like three months, in which we dealt with these two contending theories, and offered much testimony upon all phases of the railroad business, the state legislature came to the conclusion that the act of
7184 1905, while reasonable and fair as a whole, was discriminatory in that it fixed a lower rate upon certain classes of traffic than it should have fixed in comparison with the other articles or commodities affected by the act. Consequently, they raised the rates upon live stock, increasing in that way the revenues the railroads would have derived from state freight traffic, had they observed the act of 1907, as compared with the act of 1905.

But not satisfied with that act of fairness on the part of the people of the state, acting through their legislature, a supplemental bill was filed in which the theory upon which the railroads had conducted their cases up to that time, was abandoned. It was then contended that the reasonableness of the freight rate law was not to be determined by a comparison of the revenue from that class of traffic, as compared with the expense of conducting it, but that the reasonableness of the act of 1907, or its constitutionality—and I use the terms interchangeably—was to be determined by a comparison with the two cent passenger law enacted in 1907, and the question presented was as to whether in either state freight or state passenger business there was being a return received, sufficient to pay a reasonable return upon the value of the investment.

Manifestly there will be no controversy in this case upon
7185 the fundamental proposition that these railroads doing business in Missouri are entitled to a reasonable return upon that portion of their business which is devoted to handling the state freight or state passenger business.

Manifestly there will be a controversy in this case that will be a question for subsequent argument and determination, as to whether the reasonableness of the freight rate law is to be determined separate from the reasonableness of the passenger rate law, and whether, vice versa, the reasonableness of the passenger rate law is to be determined separate from the reasonableness of the freight rate law.

In other words, that question will present itself in this way: There is a certain class of people who ride upon passenger trains. That is one class of traffic. Are not those people entitled to be carried from one place in a state to another, upon a charge which would give to the railroads, if they were engaged alone in passenger business, a reason-

able return upon their investment? Should they be compelled to pay more, or permitted to pay less, because the charges on freight traffic are too high or too low?

I suggest these questions now, in order that you may understand the conflicting theories, in order that some of the inherent difficulties in this litigation may be apparent.

I say that was the theory of this supplemental bill, that both these laws should be determined, and stand or fall together. We subsequently came in, and after some controversy as to the place and jurisdiction, which are not important or before your Honor now, we filed an answer in which we set up the questions of fact which I am undertaking in a very general way to outline now. But this
7186 point was one upon which we were anxious to proceed, at least insofar as the passenger rate business was concerned.

In the Missouri Pacific, Burlington and Wabash cases, when they were assigning the expense incident to the carrying on of the state freight business to the state traffic, upon a method of division which was denominated three to seven times as much in proportion to the revenue as the cost of doing the interstate traffic, they had shown by their own testimony that the profits of doing the state business were unfair and unreasonable to the people of the state.

They have shown in the Burlington case that the profit which the Burlington Railroad was deriving from carrying on its state passenger business was approximately nine per cent on a fair valuation of the property.

The Wabash Rialroad I think showed ten per cent profit in its passenger business upon a fair valuation of the property; and the Missouri Pacific Railroad showed, I think, a profit of between five and six per cent upon its valuation of its property, in the doing of the state passenger business. And mind you, these figures were derived by figuring the same proportion of expense for each passenger mile in the state passenger traffic as compared with the interstate passenger traffic.

And that brings me to a statement of our theory, or what the facts will show from that standpoint, on that phase of the case.

Mind you, we start in this case with these questions: First, Is the state freight law to stand or fall alone, and is the passenger rate law to stand or fall alone? If they are to be considered together, how are you going to divide the expenses between the freight and passenger traffic? If they are to be considered separately, how
7187 are you going to divide the expenses between the freight and passenger traffic.

Secondly: How are you going to divide the expense between interstate freight and state freight? And how are you going to divide expenses between interstate and state passenger business?

If the two laws are to be considered together, then comes another question in reference to the division of common expenses, and that question is, how are you going to divide expenses for the state passenger traffic and the state freight traffic from the interstate passenger traffic and from the interstate freight traffic?

Now, in the Burlington and the Missouri Pacific and the Wabash cases, different theories were advanced by each of those roads.

The Burlington Railroad divided those common expenses between freight and passenger in proportion to the revenue. The Wabash Railroad Company, with adherence to an artificial ratio, which was in no sense a reflection of the political theories of their counsel, divided them on this basis: They assigned sixty-five per cent of the common expenses to freight, and thirty-five per cent of the common expenses to passenger traffic. I think I am right on that.

The Missouri Pacific Railroad had a different basis from either of them.

Now, our contention is, if you are going to consider the passenger business alone, or whether you consider it in connection with the freight business, it costs more—I am told I am wrong in the figures I gave just now. The Wabash assigned sixty-five per cent of all expenses to state freight, and thirty five per cent of all expenses
7188 to state passenger business, and when asked for an explanation, the learned experts produced by the Wabash Railroad, could only say they thought that was a fair basis of division, based upon past experiences,—but what those experiences were, or where had, the witnesses were never able to enlighten the Master hearing the testimony. It is our contention in this case that the testimony will show that in the state freight business, the expense of carrying a ton of state freight one mile is about twenty-five per cent greater than the cost of carrying a ton of freight one mile in interstate traffic.

To make my meaning clear, if it costs one dollar to carry a ton of meat one mile in interstate traffic, it would cost one dollar and twenty-five cents to carry it a mile in state traffic. But in passenger traffic it is our contention that it costs less to carry a passenger in state business one mile, than it costs to carry a passenger one mile in interstate passenger business, and for this reason: That the expensive trains are the interstate trains, and I can speak upon that subject feelingly, as I have recently been a most extensive and liberal patron of the railroads in Missouri. The interstate trains are the Pullmans, and the cars are heavier——

The COURT: You rode in the smoking car?

General HADLEY: I did when I could get a seat. But in interstate traffic I never had the slightest difficulty in getting a seat. It was the rarest thing when carrying passengers at two cents a mile, that one could find a seat in what are commonly called the "locals". They operate cheaper cars. The wear and tear upon the rails and the cars is much less than with the heavy trains. The engine is smaller. If there is any difference in the salaries of the crews, it is in
7189 favor of the interstate as against the state. Those cars carry fifty to one hundred passengers in each car all the time, as compared with twelve to fifteen passengers all the time in the interstate traffic.

It will be our contention that, while conceding an increased cost per ton per mile in state, as compared with interstate freight, we deny that the same method in apportioning the expenses of state and

interstate passenger business should apply, but contend that the reverse should apply.

We will show in that connection that, although the extensive traffic in passenger business is the state traffic, it has for years been compelled to pay a higher rate than the fewer passengers who ride in the interstate cars.

In other words, the railroads of Missouri—and I do not mean to say they are a bit worse or a bit different from the railroads in other states—but they have levied their charges without reference to the cost of the service, they have imposed their charges with reference to the law of competition, and upon that portion of the traffic least able to pay, and least able to resist injustice.

Consequently, the three cent a mile man riding in the smoking car, or in the day car, was paying to the railroads an amount of money to pay for the interstate passengers, who paid only one and one-half or two cents a mile.

These questions will be presented in the evidence to be presented here. They are asking that the two cent passenger law should be enjoined. For what purpose? To re-establish a three cent rate?

We contend that the evidence we will submit, or which should
7190 be submitted, and that the railroads should be required to submit before they can have any standing in a court of equity, must necessarily deal with the comparative revenue derived under the two cent and three cent laws. And that revenue derived by the railroads under the two cent law, has been greater than the revenue derived from the three cent rate, and for this reason: That when your Honor decided this case under an application for an injunction you said that no living man could tell whether the two cent law was reasonable or unreasonable until the railroads had given it a trial, and determined from actual experience whether the decrease in the rate would produce a decrease or an increase in revenue, and at the end of a ninety day period fixed for an experiment of that kind, there was not a single railroad in the state that raised a voice of protest against the continuation of the two cent law. And it was not until some of these gamblers in Wall street got to gambling with other people's money (for which they are now being sent to the penitentiary) that there was any complaint on the part of the railroads, as the evidence will disclose, upon this question of a reduction of revenue. It was not against the two-cent fare law, as the facts will develop in our last analyses, but it was a complaint of the inability of the people to ride on railroads at all, like in cities where I live, in the capitol of this state, where one could not get enough money to go to Kansas City or to St. Louis, and the railroads would not take clearing house certificates.

Consequently the answer made to the claim made by the railroads
that this two cent law is confiscatory, will be that any decreases
7191 that have occurred since October, 1907, have been due to general depression and financial conditions, which are in no sense connected with the railroad business, any more than any other traffic.

I think that outlines in a very general way the conflicting theories in this case that we will submit to your Honor.

As far as actual figures are concerned, I want to say this: We have been compelled, owing to the vast magnitude of this litigation, to accept practically without investigation, the accuracy of the figures produced by the railroads, showing the revenue derived from all classes of traffic, and the expenses incident to the doing of all classes of traffic. With all the experts that we were reasonably able to apply to this work, it would have been impossible to go into an examination of the waybills, and of the different methods of apportioning, so we have simply assumed that to be true in these cases, and since in our last analysis it is going to come down to an argument, as I undertook to say, leaving out the question of law about jurisdiction and so forth—it is going to come down to the question: Are these laws to go down together? Is each to rest on its own bottom, or are they to be joined together? Whichever method is adopted, how are you going to divide the expenses common to state freight and to interstate freight? How are you going to divide the expenses common to interstate passenger traffic and state passenger traffic? How are you going to divide the expenses common to passenger business and the freight business, as from an inspection of the opinion of the case that the Supreme Court never said that the revenue theory was the proper method of division, and I also contend that the revenue theory
7192 results in a contradiction of terms.

If you adopt the theory of dividing it upon a revenue basis, it would be absolutely impossible for the State of Missouri to ever fix the state freight rates high enough to be remunerative, for the reason that the higher the rate the greater the revenue derived from the state freight traffic. The greater the revenue, the greater the expenses. That is, if the roads which are producing one million dollars of revenue in state freight as compared with 4 million dollars in interstate freight should double that, then the revenue derived from the state freight is two million dollars, as against four million dollars; and consequently, the divisor you use is a greater one, and the proportion of the expense you have assigned to the conduct of the state freight traffic is doubled by reason simply of an increase of charges, without any increase in the cost of the service.

There is one question which witness after witness was asked by myself and associates, which they were never able to answer, and that was this: How high would the state of Missouri have to fix its state freight rates to give you a reasonable return upon the value of your investment? And up to the present writing, that question has never been answered, and never will be answered as long as counsel and witnesses insist upon the revenue theory for the division of common expenses.

Mr. HAGERMAN: I want to correct one statement, and that is about this revenue theory. That is, the greater the rate made by the state, the greater the proportion: That is absolutely untrue. You will see that it is absolutely impossible to fix a state rate without at the same

minute the interstate rate being increased. The proportion,
7193 whether higher or lower, maintains itself all the time as a matter of practical application as distinguished from theorizing.

General HADLEY: Perhaps there is one fact developed in these preliminary hearings, and that is, there was a great lack of harmony upon the part of the experts for the railroads. I think about five or six said that the only way expenses should be divided was upon the ton mile theory. Notably among them was Mr. Gray of the Great Northern, who had made this question one of great research and study. We start with the added advantage of being supported with nearly one half of the railroad experts on our theory of the case.

Counsel asks: Is the evidence produced in one case to be considered as evidence in the other cases?

The COURT: The orders do recite that the evidence in one case, so far as germane, may be used in all eighteen cases. Of course it would be useless and almost senseless, to duplicate the evidence in the several cases insofar as pertinent.

Mr. LEHMANN: It is our understanding that the cases are to be practically tried as one. I understood your Honor to say you would not decide one case until you had tried all of them. I think the essential controversy in these cases will not be over the ultimate or fundamental facts, but rather over the significance of those facts, and the application to be made of them under the varying rules that will be contended for as to proportion of expenses. In other words, I think it will depend largely upon expert testimony and opinion and argument. Of course we are all entitled to pose as experts if we can make use of the facts.

Mr. LADD: It is also your Honor's order that the testi-
7194 mony so far as taken before the Master, may be used?

The COURT: Yes. I need only state without elaboration, that I realize the importance of these cases. I realize in advance, at least I suspect the great labor that will be placed upon me. Whether or not before the conclusion of the cases some judge will be assigned to assist me I do not know now any more than I did upon the 5th of October.

There may or may not be some interruption in the hearings of these cases. There has been scarcely a week that I have not been in correspondence with the Circuit judges about matters, not directly connected with these cases, but indirectly. But insofar as I am able, I will continue with these cases right along down to the conclusion. I think I ought to state that the engagements of counsel or witnesses cannot be recognized. I announce that in advance so neither side will think I am hitting at them if any application is made for delay. Otherwise, these cases may not be concluded for years. I find other wise that counsel will have important engagements, or they will need the evidence of some witness who has an engagement in St. Louis or New York or elsewhere. None of these things will be permitted.

Mr. LEHMANN: We will try to arrange that. Perhaps not all of

us will be here all the time. Do we understand this is a hearing upon a final hearing?

The COURT: Yes, the defeated party may sue out and prosecute an appeal to the Supreme Court.

Mr. HAGERMAN: If there are any more applications for continuances asked by the state, we may ask——

The COURT: There will be no adjournments unless I my-
7195 self, regardless of the wishes of either side, declare an adjournment. I may have to do that of my own motion. Somebody said that this case was likely to take three years, if I am not mistaken in the time. During the next three years, it may be necessary, on several occasions, to declare an adjournment. So neither side will think the ruling is adverse, I suppose it will be the duty of the Court to trust to the bona fide of counsel upon what theory you advance or hear testimony, otherwise we will have the anomalous situation of a decree being entered, and instead of the case going up on appeal, in effect it is going up on a writ of error. For the reason that if the Supreme Court should say I proceeded along the wrong theory in receiving evidence, and the Supreme Court should hold it was in error in that, it would be reversed, to take further evidence. So I assume it will follow that this Court must reply upon the good faith of counsel in introducing evidence upon the theory that they are going to stand by it. When that is done, then I shall adopt such theory as I am led to believe in, and then the Supreme Court can act upon the cases for final decree, regardless of my theory. I assume that necessarily must be done by the trial court in an equity case. So if you take your ton mile theory, or your revenue theory, and whether the grand total of all the earnings in the state shall be taken, or whether the earnings from freight and passengers shall be separated, I suppose it will be my duty to hear the evidence upon the various theories, and then regardless of my conclusions, the Supreme Court will have the case upon all the evidence, and that Court can adopt its theories and its
conclusions, resulting in final decree of affirmance or re-
7196 versal, or whatever that Court may adopt.

(Here a recess was taken until two o'clock p. m.)

7197 ST. LOUIS & SAN FRANCISCO RAILROAD COMPANY

vs.

HERBERT S. HADLEY, Attorney General of the State of Missouri, et al.

KANSAS CITY, MISSOURI, *November* 9, 1908.

Met pursuant to adjournment as above on Monday, November 9, 1908, at two o'clock p. m., when the following proceedings were had:

ALEXANDER DOUGLASS, a witness of lawful age is duly produced, sworn and examined on the part of the complainant, and testified as follows:

Direct examination by Mr. FRANK HAGERMAN:

Mr. HAGERMAN: We have a stipulation in the other three cases that the State Board of Railroad and Warehouse assessment was

based upon one-third of what they regarded as a 33⅓ per cent valuation.

General HADLEY: Whatever the stipulation was it would be equally applicable to the other fifteen roads as it was to the three.

The COURT: If you are able to make an agreed statement now, better do so.

Mr. HAGERMAN: I would like to get the fact, whatever it may be.

The COURT: Who assesses the railroads?

Mr. HAGERMAN: The state officers.

Mr. LEHMANN: We do not accept that as indicating the real value because under the law the State Board is required to take into account a great many things, the amount of the bonds and the stock, the franchises, the income of the property, and the income
7198 might be unduly high, and upon that basis give an unduly high valuation to the property.

Mr. HAGERMAN: I did not ask you to admit that is the value of itself, but that the State Board valuation is fixed by them upon three times the amount of the returns.

Mr. LEHMANN: We object to that as immaterial and irrelevant.

Mr. HAGERMAN: Will you admit it subject to the objection?

General HADLEY: My recollection is that the stipulation or understanding was that the State Board assessment was one-third of what they regarded as the value of the property, including the franchise.

Mr. HAGERMAN: One-third of the value as listed in the statement. I shall follow it by the introduction of a statement.

General HADLEY: That is all right.

Mr. HAGERMAN:

Q. Mr. Douglass, what is your connection with the St. Louis & San Francisco Railroad Company?

A. I am the fourth Vice-president and General Auditor.

Q. How long have you occupied that position?

A. I have been General Auditor of the Company since its organization, and Vice-president for the last seven or eight years.

Q. "Since its organization," what does that include?

A. The present corporation, twelve years, fully.

Q. Prior to that, in a general way, give your experience as a railroad man, with railroad business?

A. I have been through the various departments and I have been auditor of the Atlantic & Pacific Railroad, the old Frisco Railway and the present company.

Q. How many years experience have you had in the Auditors Department?

7199 A. Twenty-eight years.

Q. Do you know, or are you sufficiently familiar now to give the different lines of the Frisco Railroad where they run in Missouri?

A. Yes, sir; I believe I can.

Q. I believe this map (indicating) which was prepared by the Board of Railroad & Warehouse Commissioners shows these lines in green color, doesn't it?

A. (After examining map:) Yes, those are the Frisco lines, those in green on that map.

Mr. HAGERMAN: Let this map be marked "Douglass Exhibit 1." (The paper referred to is marked Douglas Exhibit 1.)

Mr. HAGERMAN:

Q. Describe where those lines run, between what points?

A. Through the State of Missouri I presume you mean. The main line is between St. Louis and Seneca, Missouri. The southeastern line is from St. Louis to the state line of Arkansas. There are branch lines. And the main line from Kansas City to Memphis is from Kansas City, partly in Kansas a short distance, to the state line in Arkansas, south of Springfield. In all it is 1713 miles in the State of Missouri. That is from memory.

Q. What branch lines have they in Missouri?

A. The first branch is the Salem branch. That is from Cuba, Missouri to Salem, about 40 miles. Then there are a number of branch lines in the Southeast, south of Cape Girardeau. I cannot tell exactly the mileage.

Then there is the Springfield branch to Chadwick. The Springfield-Kansas City line. Then there is the Joplin Branch.

7200 Q. Now your system, after you get out of Missouri, extends to what particular leading places?

A. One section of the Frisco extends up to Ellsworth in Kansas on the Union Pacific line. Another goes through Oklahoma, connecting with the Rock Island and different roads in Oklahoma, to Quanah, Texas & Fort Worth, Texas.

Q. Have you one line that runs down as far as Texas?

A. Yes, sir.

Q. I do not care for the details, but only in a general way.

A. Ellsworth, Kansas is the furthest west in the north. Then Quanah in Texas and Vernon, Texas, Brady in Texas, Fort Worth, and Paris, Texas.

Q. In Arkansas where does it lead in the South?

A. It goes down toward Memphis and to Birmingham, Alabama.

Q. Is there a line leading down on the east side of the Mississippi?

A. That is from St. Louis to Memphis. It joins the Kansas City, Fort Scott & Memphis at Big Creek.

Q. Does the Kansas City, Fort Scott & Memphis part of the line run from Kansas City to Birmingham?

A. Yes, sir.

Q. And another line from St. Louis toward Memphis?

A. Yes, it is the eastern line from St. Louis which joins the Memphis line at Big Creek.

Mr. LADD:

Q. Is that your annual report you have there?

A. Yes, sir.

Q. Have you an extra copy?

A. We have only one here. I will give you one later.

Mr. HAGERMAN:

7201 Q. Your Kansas City, Fort Scott & Memphis line starts from Kansas City, Missouri?

A. Yes, sir.

Q. And a few miles out it crosses into Kansas?

A. Yes, sir.

Q. And then it runs south to Fort Scott in Kansas and goes back into Missouri directly east of Fort Scott, crossing the state line there?

A. Yes, sir.

Q. The point I am getting at is that all business upon that line from Kansas City, Missouri, to points in Missouri will start in Missouri, go out into Kansas and come back into Missouri?

A. By the main line, yes.

Q. Have you and did you prepare a statement of the earnings and expenses of the St. Louis & San Francisco Railroad for Missouri for the period from July to September, 1907?

A. Yes, sir.

Q. The first statement in general form was prepared to send out and was sent to me some time early in June, wasn't it?

A. I don't know but what it was prior to that time.

Q. What we call the "revised form" to which I will direct your attention in a moment, was sent out about the first of August?

A. One was sent at that time also.

Mr. HAGERMAN: I would like the record to show that I forwarded to General Hadley the first statement on June 8th and the second one on August 6th.

Mr. KENNISH: I think that is right.

General HADLEY: You are talking now about the first statement?

Mr. HAGERMAN: June 8th is the date I forwarded to your
7202 office the first statement and the revised form was sent there on August 6th.

Mr. HAGERMAN:

Q. I will call your attention to what I have designated as the "revised form," the general form which was gotten up so all the railroads could conform their figures in the different statements to the theories there outlined?

A. Yes sir.

Q. Is this statement correct (indicating revised form)?

A. It is correct.

Q. Have the experts for the State been over these figures and have they been examining your books?

A. They have been examining our books, and they were furnished with the figures but I do not know the results.

Q. Your understanding is they had the statement and checked it up with your books?

A. Yes sir.

Q. Have you heard any complaint of your figures there?

A. None whatever. I will amend that by saying there might have been some small differences, and I think the expert who talked

to me finally said he was finished, and said there were no differences to amount to much.

Q. Do you remember which expert that was, Mr. Hamilton or Mr. Taliaferro?

A. I think it was Mr. Hamilton, if I remember aright.

Mr. HAGERMAN: I offer in evidence this statement.

The paper referred to is marked "Complainant's Exhibit 2."

Complainant's Exhibit 2 is in the words and figures following to-wit:

7203 —. I notice attached to the statement is what purports to be a formula for the division of operating expenses for the state that is marked Schedule 2 to the statement?

A. Yes, sir.

Q. That is to say, Missouri is only a part of the extensive system of your road and it becomes necessary in dealing with expenses to make an apportionment between the different states of the system?

A. Yes, sir.

Q. And this represents in detail the method by which you made that division?

A. Yes, sir.

Q. Is that a proper formula?

Mr. LEHMANN: That is objected to. The witness is permitted to testify to show facts upon which the apportionment is based. That is based upon what they call the revenue theory. The revenue cannot furnish a basis for costs. Costs are incurred and exist independent of revenues received. While there might be a certain ratio between the cost and revenue derived, that would be a mere consequence, but the basis for ascertaining cost must be the cost itself of doing the business and there must be some reason for making the apportionment of the various items of cost between the different classes of business. To assume that the cost is to be predicated upon the revenue basis is begging the very question that is in controversy here.

The COURT: I should have added this morning the statement that I very much doubt if the Court should pass upon the admissibility of evidence unless it becomes frivolous. If counsel on either side puts in evidence over the objection of the other side of course they do so at their own risk. The evidence will be admitted if
7204 offered by either side and subject to the objection, without any ruling thereon, unless they get so far outside the record as to become frivolous. Subject to the objection the witness may answer.

(Previous question read.)

A. Yes, it is a proper formula for apportioning the expense between the states.

Q. I am speaking now as between states and not anything else.

A. Yes, sir.

Q. How long have you operated under that sort of a formula in your business, substantially?

A. As a rule we only operate under this formula when it is desired to segregate the expenses and earnings as between the states.

Q. How long have you used that with that in view, whenever necessary?

A. We have always used it.

Q. Is it a formula in general use by railroad companies in this country?

A. It is conceded to be fair and just.

Q. And how long in general use for that purpose?

A. I don't know how long it has been in use.

Q. For a number of years?

A. Oh, yes; for a number of years. It is admitted by other roads as being fair.

Mr. HAGERMAN: That shows in detail the basis of division of the different items. For instance, under the account "maintenance" to give an illustration so as not to take the time now to ask him
7205 about each item, unless it is challenged—maintenance of way and structure. That seems to have been divided upon a certain basis. Work and renewals seem to have been divided upon practically a train basis. Repairs, renewals, improvements, yards and terminals: that is upon the actual place—St. Louis yards in St. Louis, for instance. Memphis yards in another state, and so on. That would be actual. Maintenance of equipment. That is upon a revenue train mileage basis. Repairs, renewals and depreciation of locomotives, that is upon a locomotive mileage basis. Passenger cars. That is upon a passenger mileage basis. Freight cars. That is upon freight train mileage.

I think I can pass that for the present until counsel can take it up on cross examination, because possibly there will be not much difference between us on that part.

Mr. HAGERMAN:

Q. Mr. Douglass, are your remarks true as to the second page of that exhibit, to the statement, that you deal with the division of freight, passengers, mail, express and various other miscellaneous revenue accounts divided between states.

You have been dealing now with operating expenses.

Now I ask you about revenue accounts.

A. That is the regular formula usually adopted in apportioning between states.

Q. Is it the one usually adopted for years and has been adopted by you?

A. Yes, sir; for some years.

Q. Returning to the statement, your Exhibit 2, you have tabulated here in the first sub-division earnings, sub-divided between state and interstate earnings, freight, miscellaneous, passenger, mail and so forth.

7206 Now the freight earnings represent what? Under the head of earnings you have miscellaneous, undivided as between states and interstate freight.

What is it that makes up miscellaneous earnings, freight?

A. Such collections on freight as demurrage and switching and storing and such things as that.

Q. Demurrage is the charge made for keeping a car over time?

A. Yes, sir.

Q. Storage charges and switching charges enter into that and in the classification you have not treated that as freight earnings?

A. No, sir.

Q. Outside of things of that general character, which you call miscellaneous, I presume because of the numerous items, that have to be thrown into a bunch?

A. Yes, sir.

Q. The rest of your freight revenue is classified under the head of freight?

A. Yes, that for which we get so much per hundred pounds.

Q. Take the passenger earnings in the same way. You have here a statement showing passenger earnings, and then you have an item also miscellaneous, entitled "mail, express and miscellaneous, undivided as between state and interstate":

What does that represent?

A. Mail represents mail. Express represents express. And miscellaneous represents all the other miscellaneous collections in connection with the passenger business.

Q. The mail earnings are ordinarily upon the passenger train?

7207 A. Yes sir.

Q. And the express earnings are ordinarily upon the passenger trains?

A. Yes, sir.

Q. And in addition I suppose there are some light classes of freight like milk?

A. No, sir; those are not in there.

Q. What is the miscellaneous?

A. News agencies and excess baggage, and storage of baggage, and things of that kind.

Q. And under the head of "passengers" you include nothing except the fare collected?

A. No, sir; nothing except the fare collected.

Q. The earnings in this statement also seem to be sub-divided, as far as the freight proper and the passenger proper, between state and interstate?

A. Yes, sir.

Q. The miscellaneous was left undivided so as not to provoke any unnecessary conflict in the theory upon which we take the figures?

A. Yes, they cut no figure either way.

Q. How did you arrive at what were state and interstate earnings from freight?

A. The state earnings consisted of the earnings derived from business transported within the state, from one point within the state to another point within the state.

Interstate business is that which is transported either through the

state or from a point within the state to a point without
7208 the state, or vice versa.

Q. The point to which I was more particularly directing attention was, do those represent the actual receipts from those classes of business?

A. Yes, sir.

Q. That is to say, your books and accounts are so kept that you can ascertain exactly what you receive for state revenue and what you receive for interstate revenue?

A. Yes, these figures are taken from the way bills direct.

Q. In the freight, you get it direct from the way bills?

A. Yes, sir.

Q. In the passenger service, how do you get it, actually?

A. Actually from the reports of agents and conductors.

Q. And the tickets?

A. Yes, sir; and the tickets brought in.

Q. That statement shows for the three months, from July to September, 1907, the total state freight to be what?

A. Total state freight $577,192.84.

Q. And the total state passenger business?

A. $599,051.59.

Q. That excludes everything which has been defined by you to be miscellaneous from both classes?

A. Yes, sir.

Q. The next sub-division on this statement is expenses which I note you say are undivided as between state and interstate; what are the general divisions of those expenses?

A. The general divisions you mean?

Q. Yes. Maintenance of W. and S. What does that mean?

A. The Way and Structure.

7209 Q. Maintenance of equip-t means what?

A. Maintenance of Equipment.

Q. And traffic expenses means what?

A. The expense of the Traffic Department.

Q. And transportation exp. means what?

A. Transportation expenses which include train service, agencies and so forth.

Q. And general expenses, means what?

A. General expenses of the business, clerks, general office rent and so forth.

Q. And taxes. That represents the taxes paid in Missouri?

A. Yes, sir; the taxes paid in Missouri upon the property.

Q. Now the item of rental: you have in that expense rental, what does that include?

A. That includes rental of property used in the operation of the road.

Q. Say for illustration you might be going into St. Louis and have to run over somebody else's track for a short distance?

A. Yes, or going into Union Station we have to pay rental.

Q. Where you do not actually own it yourself?

A. Yes, sir.

Q. Column 4 on the next page, reduces these different figures to percentages, in accordance with the revenue?

A. Yes, sir.

Q. Give the percentages on your interstate, state, and miscellaneous freight and on all freight earnings?

A. In the State of Missouri?

A. Yes.

A. Interstate freight revenue amounts to 77.62 per cent.

7210 Q. What per cent is that of all earnings, both passenger and freight?

A. Of all earnings it is 55.16 per cent.

Q. Take the state freight: what per cent of all freight earnings is that?

A. 14.38 per cent.

Q. I mean of freight earnings?

A. 20.24 per cent.

Q. And miscellaneous?

A. 2.14 per cent.

Q. Give the tabulation as to the passenger.

A. Passenger per cent of earnings is 31.73 for interstate and for state it is 51.56. Miscellaneous is 16.71. That is of the passenger earnings.

Q. Now of all earnings, both passenger and freight?

A. Of all earnings, the interstate passenger earnings are 9.19 per cent. State passenger is 14.92 per cent. Miscellaneous is 4.84 per cent.

Q. The result of that is by the application of those percentages you get upon a revenue basis the division of the operating expenses between state and interstate?

A. Yes.

Q. That is to say, you take the entire freight expense, which is undivided between state and interstate, and then deduct therefrom such per cent of it as equals the per cent of all interstate freight earnings and you get the amount of expense assignable to state freight?

A. Yes, sir.

Q. And that is an example of what you call dividing the expenses upon the revenue basis?

7211 A. Yes, after you have ascertained the operating expenses for freight.

Q. In sub-division 3 you have already ascertained that?

A. Yes, sir.

Q. And then in sub-division 4 you have ascertained the percentage?

A. Yes, applicable to state business.

Q. And applying that percentage to the total thus ascertained you get what are in the first instance charged as operating expenses for state business?

A. Yes, sir.

Q. Before making any further deduction on that theory, what is

the net result from freight earnings for the time covered by the statement?

A. State freight earnings, $577,192.84.

Q. Less your operating expenses?

A. From which deduct operating expenses, taxes and rentals, $382,405.32.

Q. That leaves how much?

A. A balance of $194,787.52.

Q. I observe in this statement as a subdivision of this paragraph 6 the statement that there should be deducted a diminution in freight earnings which would have existed had there been charged the rate fixed by the maximum freight law of 1907, which is shown by Exhibit 3 to be $11,389.27: turn with me to that exhibit 3, and explain to the court how you ascertain such diminution.

A. I would say that the diminution in question is on the state freight earnings. That was ascertained for the fiscal year
7212 ending June 30, 1904. We had figures showing the Missouri earnings on the commodities affected by the 1907 bill and also the decreases on the same business as the 1907 bill for July, August, and September, 1907, and the decrease was $8,026.03, on the State business affected by those commodity rates. Applying the same percentages to the business for the year 1907 the decrease was found to be $11,389.27.

Q. That is to say, it would have been quite costly to keep an actual account?

A. Yes sir.

Q. And you already had the figures of 1904?

A. Yes sir.

Q. And you have got your figures of your increase of earnings of 1907?

A. Yes sir.

Q. And by the application of the percentages, giving the per cent of increase, just as you had to all other traffic, to the figures of 1904, you reach this $11,389.27?

A. Yes.

Q. Have you that statement practically in detail as you testified to it here?

A. Yes sir.

Mr. HAGERMAN: I offer in evidence this statement.

The paper referred to is marked "Complainant's" Exhibit 2."

Complainant's Exhibit 2 in the words and figures following, to-wit:

7213 Q. In this statement you deducted from the balance of $194,787.52 as previously ascertained.

A. Yes, sir.

Q. And that leaves what sum?

A. $183,398.25.

Q. Assuming for the time being that the extra cost of doing the state business is 50 per cent more than the cost of doing the interstate freight business, what additional sum ought to be put to state freight

operating expenses? What per cent of all operating expenses and what additional sum?

A. The per cent of all freight operating expenses would be 7.33 per cent.

Q. That makes in dollars and cents what?

A. $130,246.94.

Q. That is to say, if the Court should find that the extra cost of doing the state business was 50 per cent more than the interstate freight business, there should be deducted an additional sum of $130,246.94?

Mr. LEHMANN: Let me interfere here. Do you mean 50 per cent more and if so, on what footing, on what basis?

Mr. HAGERMAN: You are applying the per cent you have already tabulated here?

A. Yes, sir.

Q. So that if 50 per cent represented the extra cost, before you got to any question of return for interest, or any return upon the investment, you would be about $50,000.00 to the good, or a little over?

A. Yes, sir.

Q. Now then, suppose it was twice that much, what would be the percentage?

7214 A. The percentage would be 13.42 of all freight expenses.

Q. In dollars and cents that would amount to what?

A. $238,460.28.

Q. So if the extra cost of doing the state freight business is, for the purposes of my question assumed to be 100 per cent more than the cost of doing the interstate freight business, you are to the bad, or at a loss of in the neighborhood of $55,000.00 before you come to any money to pay interest or return upon the investment?

A. Yes, sir.

Q. Suppose it is three times as much?

A. 22.99 per cent of freight operating expenses.

Q. How much is that in dollars and cents?

A. $408,509.83.

Q. And upon that basis you would have over $200,000.00 deficit before you got to a return upon the interest?

A. Yes, sir.

Q. Your state freight is what per cent of all earnings?

A. State freight is 14.38 per cent of all earnings.

Q. What is the interest actually paid by your road upon the Missouri part of it.

Mr. LEHMANN: Interest is a return upon capital and is not a part of operating expenses and certainly should not be included within the computation of operating expenses. Interest is a return upon capital.

Mr. HAGERMAN: I do not know whether it is material to call it an operating expense. What we claim is, we are entitled to interest as a fixed charge we pay out, whatever you call it. And

7215 then we are entitled to a return upon the surplus that is left.

Mr. LEHMANN: It seems to me it should not be brought in here. Undoubtedly they are entitled to their interest upon the bonded indebtedness, providing the bonded indebtedness is reasonable. But a road should not escape by charging interest on bonds. It seems to me that is clearly not relevant to the inquiry. Undoubtedly they are entitled to earn something on capital but that should not come in here. That is simply confusing things.

The COURT: Subject to the objection he may answer.

Q. Assuming that your percentage is right and that the revenue basis is right, what precentage of all the interest would be chargeable to state freight. Or rather, what does the 14.38 per cent come to in dollars and cents?

Mr. LEHMANN: Let us have an understanding of what you mean by revenue basis. Do you mean by that it takes so much money to earn a dollar of state revenue and so much to earn a dollar of interstate revenue?

Mr. HAGERMAN: I mean just exactly what the Court has practically said as applied to these cases.

State freight is 20.24 per cent of all the freight earnings of the road. Now we ought to charge in the first instance that percentage of all the operating expenses to the state freight and we ought to charge on account of the fixed charges that per cent of all the fixed charges assignable to freight.

General HADLEY: You do not say the state freight is 20.24 but you say earnings?

Mr. HAGERMAN: We have the expenses divided between
7216 state and interstate. What the courts have always said revenue means and that is the theory upon which we are presenting this case.

Having given the operating expense you assign as operating expenses that same percentage 20.24. When you come to interest upon the bonded debt, that is upon the whole property in the State, What proportion of that should be assigned to State freight? Such proportion as the earnings on state freight bear to all the earnings of the entire property within the State, and that is 14.38 per cent.

General HADLEY: You are taking that proportion of the expenses that the revenue derived from state freight bears to all revenue, instead of taking that percentage which the actual ton miles of state freight bears to all the freight.

Mr. HAGERMAN: You take it without figuring for dead weight or lost space. You take all the ton miles or all the tonnage of the road and divide and practically there is no substantial difference. But when you reduce it down and get it figured out on the basis of revenue per ton per mile, you are allowing for no dead freight and cutting your percentages down about one-half.

General HADLEY: In stating the proposition you said that State freight was 20 per cent of all the state business, when it is not.

The revenue derived from state freight is 20 per cent of all revenue, but that is not the same thing.

Mr. HAGERMAN: If I have not made myself plain, I will do so

now. It is exactly what Judge Vandeventer says in his recent opinion was the right way to do it and what the United States
7212 Supreme Court has said. Your expenses in the first place are undivided between state and interstate. But they are divided between freight and passenger business. You want to know, as a railroad proposition, what is fair. We say, find out what the proportion of all the freight earnings to state freight earnings are and when you get that percentage take the same percentage of all your operating expenses.

When you come to the interest charge which is upon the whole property in the state, just like when you come to return upon the valuation of the whole property in the state, then you take not the percentage of the freight earnings but the percentage which the state freight is of all the earnings within the state. State freight is 20.24 per cent of the freight earnings and 14.38 of all the earnings in the state.

What I am verifying by this witness is, leave us to our theories and we will work that out when we put on experts to testify. But if that theory should be adopted by the Court are these figures proper?

Mr. HAGERMAN:

Q. Upon the revenue basis what percentage of all the interest, $819,021.42 is charged against state freight?

A. 14.38 per cent or $117,775.28.

Q. Assuming that there is no additional amount or leaving out for the time being any additional increased cost of doing the state business, what surplus would that leave in the way of interest?

A. It would leave a surplus of $65,622.97.

Q. That is upon the assumption that nothing is allowed for extra cost?

7218 A. Yes sir.

Q. If you assume the extra cost is 50 per cent more would there be a surplus or a deficit left after the payment of this interest?

A. A deficit of $64,623.97.

Q. Suppose the increase of cost would be twice as much, what deficit would there be?

A. $172,837.31.

Q. Suppose it is three times as much, what would the deficit be?

A. $342,886.86.

Q. Have you a tabulation showing the valuation by the State Board of Railroad & Warehouse Commissioners of the property of the St. Louis & San Francisco Railroad in Missouri?

A. At the foot of Page 3.

Q. Before I go to that, please turn to Exhibit 4 attached to this statement to which I made reference, but did not offer: have you that?

A. I have it.

Q. Does that correctly show the method by which you figured out the extra cost of doing the state freight business, assuming now that revenue is the proper basis.

Mr. LEHMANN: You mean as an arithmetical proposition?

Mr. HAGERMANN: It is a formula by which it is worked out. I understand we agree that if the theory was right that was the way to work the example. You must give the benefit to both the state and interstate in reaching a common level and when you have that level you must get a new per cent. I thought I would
7219 call attention to it now because if we are right on the revenue theory that would be the way to calculate it.

Q. I see Exhibit Number 6 you have tabulated there the number of tons and so forth?

A. Yes, sir.

Q. I do not believe that is carried out in our statement but the purpose of it was to give ready reference to the other side if they wanted to take it up in accordance with their theory?

A. Yes, sir.

Q. You have not compiled a statement on any theory about tons or ton miles?

A. No, sir.

Q. I will have you to turn with me, for instance to subdivision "*g*" on page 3 of this paragraph of the statement we are considering and take the assessment of the State Board for 1907. That represents, I believe, the assessment of the State Board taken from the Journal of the Board of Equalization, upon the basis of one-third?

A. Yes, sir.

Q. That is to say, assuming for the purposes of the question and answer that the assessment to be made at one-third of what was the actual value of the property?

A. Yes, sir; for the year 1907.

Q. Now what does that give you as the value of the entire property in the State of Missouri?

A. $61,238,414.70.

Q. As to that, assuming that represents the total valuation
7220 in the state what proportion upon the revenue basis is assigned to state freight upon which you must get a return?

A. 14.38 per cent.

Q. That is the percentage on the revenue basis?

A. Yes, sir.

Q. Now for three months that would require you to receive how much?

A. $132,091.26.

Q. That is upon the basis of 6 per cent interest upon that percentage of the total valuation?

A. Yes, sir; for three months.

Mr. LEHMANN: I thought you were inquiring for taxes?

Mr. HAGERMAN: No, sir; the assessable value. The assessed valuation is $20,000,000.00 and three times that is $60,000,000.00.

Mr. LEHMANN: We do not get off at one-third in St. Louis.

Mr. HAGERMAN: This is your State Board. I say your rates are confiscatory upon the very rates you assess taxes on. In this case we do not have to go further than that. We can show the rates are confiscatory upon your own valuation.

Mr. LEHMANN: That is the value your Board taxes?
Mr. HAGERMAN: That is one-third of the valuation.
Mr. LEHMANN: We pay more than that in St. Louis.
Mr. HAGERMAN: Complain to your State Board.
Mr. LEHMANN: We are trying the propriety of the rates and not the assessment.

Mr. HAGERMAN:

Q. Assuming the State Board found the valuation of the St. Louis & San Francisco Railroad in this State to be $20,000.00: at 6 per cent interest upon a revenue basis, what return ought the
7221 state freight to have for the three months?
A. $132,091.26.
Q. To go back and emphasize it for a moment, without regard to any cost whatever for doing the state business, upon this theory that 6 per cent would entitle you to $132,091.26?
A. Yes, sir.
Q. And that the minimum of the extra cost for doing the business according to these figures was what, the 50 per cent—I mean the extra cost you have given at $130,246.00 isn't it?
A. Yes, sir.
Q. So those two sums added together, if the extra expense of doing the state business was 50 per cent more, represents the return to which you are entitled if that were the correct valuation?
A. Yes, sir.
Q. And the interest at which you were getting your return was 6 per cent?
A. Yes, sir.
Q. Turn then to the passenger earnings and expenses?
We have already seen the method by which you ascertain the passenger earnings and also the expenses: now here in paragraph 7 where you tabulate the State passenger earnings, I presume there is excluded mail, express and miscellaneous?
A. Yes.
Q. And you are getting down to what are actual passenger earnings?
A. Yes, sir.
Q. What were the earnings for those three months?
7222 A. The passenger earnings for three months for the State of Missouri were $599,051.59.
Q. The State expenses apportioned in the same way, upon the revenue basis, are what?
A. $518,111.70.
Q. Before you get any return on property or any extra cost of doing the State business or any interest upon the bonded debt, how do you stand at the end of three months, upon that basis?
A. $80,939.99 balance.
Q. Now then, assuming that the extra cost of doing the state passenger business over the interstate is found by the Court to be 15, 25, 35 or 50 per cent, what would be the additional sum in each of those cases to be deducted from this $80,000.00?

A. If 15 per cent is deducted the amount would be $33,613.03, leaving a balance of $47,326.86.

Q. That is, assuming now that the Court should find the additional cost of doing the state passenger business over the interstate is 15 per cent, and before you get to any interest upon the bonded debt, you have got to the good $47,326.86?

A. Yes.

Q. Suppose it is 25 per cent, where do you stand?

A. $53,418.32.

Q. Deducting that from the $80,939.89, what do you have?

A. It leaves a balance of $27,526.07.

Q. Before you get to allowing anything for interest or any return upon the property and assuming the increased cost of doing the business of state passenger over interstate passenger business is 25
7223 per cent, you have left to the good $27,526.07?

A. Yes, sir.

Q. Assuming it is 35 per cent, what is the result?

A. $9,367.31.

Q. What is the increased cost?

A. $71,571.58.

Q. Suppose it is 50%.

A. It would show a deficit of $14,917.16.

Q. And the increased cost would be what?

A. $95,913.05.

Q. That problem of working out the increased cost is shown by Exhibit A and is practically the same as the method of ascertaining the freight revenue?

A. Yes.

Mr. HAGERMAN: Then, I presume, Mr. Taliaferro, that if the revenue method is all right then the problem is all right.

Mr. LEHMANN: If the theory is right then the figures are right.

Mr. HAGERMAN:

Q. We are going to ascertain upon the revenue basis what proportion of the interest upon the bonded debt in Missouri is properly assignable to the state passenger traffic, and how do you do that in this statement?

A. Apportioned on the percentage that the state passenger earnings bear to the total earnings in the state.

Q. Not the relation that the state passenger earnings bear to all passenger earnings, but to the total earnings?

A. Yes, sir.

Q. And that percentage is what?

A. 14.92 per cent.

Q. The total interest is $819,021.42?

A. For the passenger business it is $122,198.00 for the three months.

Q. That is the actual interest that is paid by the Company upon its bonded debt?

A. Yes, sir.

7224 Q. Let us assume for a moment that the Court is going to find that the increased cost of doing the state passenger business over the interstate passenger business is 15 per cent, how much behind the interest would be at the end of three months?

A. It shows a deficit of $74,871.14 at the end of three months.

Q. With no additional costs allowed, what would your deficit be?

A. $41,258.11.

Q. You would lack of meeting your bonded debt that amount?

A. Yes, sir; interest.

Q. And that is only for three months?

A. Yes sir.

Q. And for a year it would be four times that?

A. Yes.

Q. At 15 per cent it is a deficit of $74,871.14?

A. Yes, sir.

Q. At 25 per cent what would it be?

A. $94,671.93.

Q. And at 35 per cent what would it be?

A. $112,830.69.

Q. And at 50 per cent what would it be?

A. $137,171.16.

Q. Each one of these is for three months?

A. Yes, sir; and the largest three months of the year. The first three months of the year are always the heaviest quarter.

7225 Q. Taking the valuation for the purpose of estimation, or estimating the valuation to be the figures you have spoken of as fixed by the State Board, $61,238,414.70, how much money for the three months would represent a fixed per cent annual interest upon the passenger part of the investment upon a revenue basis?

Mr. LEHMANN: State passenger?

Mr. HAGERMAN: Yes.

A. It would be the proportion of interest, $137,051.57.

Q. Have you since getting up these statements carried out the statement to a later date?

A. Yes, sir.

Q. I am not going to encumber the record with them at the present time, but will ask, do they practically verify or carry forth the statement you have now?

A. Yes, sir; only it makes it worse for the railroads. That is to say, the loss for the railroads is greater.

Q. And these additional figures you are endeavoring to run on down—have they been submitted to the state expert yet for examination?

A. If you have presented them.

Q. What period is that sheet for?

A. For three months additional, or six months of the fiscal year.

Q. Substantially what is the difference. I will turn it over to the state expert to examine it.

Mr. LEHMANN: We have not examined it.

Mr. HAGERMAN: Let that go for the present. What I wanted to get was, what substantial difference does it make?

7226 A. The loss is about $30,000.00 more the last three months than the first three months.

Q. $30,000.00 on what?

A. $30,000.00 on state freight and $30,000.00 on interstate passenger and about $20,000.00 on the state passenger.

Cross-examination.

By Mr. LADD:

Q. You have said your mileage in Missouri was 1713 miles?

A. Yes.

Q. That includes the branch roads?

A. Yes, sir; the branch and main lines.

Q. What is the total mileage of your system?

A. 5,064.16 miles.

Q. What is the bonded indebtedness of the system?

A. $198,480,381.18.

Q. Do you happen to have that calculated, how much that averages per mile?

A. Yes, that makes an average bond issue per mile of $39,513.52. That is on the whole mileage of the system.

Q. Does that include your entire bonded indebtedness?

A. Yes, sir.

Q. Are there anything in the nature of trust obligations?

A. Yes, sir; trust bonds are in there.

Q. In addition to that?

A. No, sir; trust bonds and everything else are in that.

Q. Any equipment notes?

A. Equipment notes also.

Q. What is the capitalization of the company?

A. Capitalization out-standing, you mean? The capitali-
7227 zation is $200,000,000.00, but the amount outstanding, however, is not that.

Q. How much is outstanding?

A. $50,000,000.00.

Q. That is what I want.

The COURT: $50,000,000.00 in stocks. $250,000,000.00 in round numbers for bonds and stock?

A. Yes, sir.

Mr. LADD:

Q. In assigning a certain proportion of the interest on this bonded indebtedness to the Missouri part of the system, what method did you pursue to reach the proportion: what is the proportion?

A. Of the fixed charges?

Q. The interest on the bonded indebtedness. That is what you were inquired about by Mr. Hagerman.

Mr. HAGERMAN: As between the states.

A. In getting at the actual interest fixed charges we take the debt

as shown by the bond issues covering the mileage, for which the mortgage is given and pro rate that per mile.

Q. Do I understand from that you have some mortgages on the Missouri part of the system that do not cover any other part of the system?

A. Yes.

Q. Have you any that does not cover any mileage outside the State of Missouri?

A. We have some outside the State we do not consider in this Missouri Case. Mortgages, outside mortgages, we do not consider
7228 at all in figuring Missouri fixed charges.

Q. Your total indebtedness in round numbers is $200,000,000.00.

A. Yes sir.

Q. Do you take that total and divide it into certain proportions, and assign part of it to Missouri?

A. No, sir.

Q. Certain percentages?

A. No, sir.

Q. How do you do that?

A. We take the bonded debt on the mileage in Missouri first. Then we take the bonded debt on the mileage partly in Missouri and partly in other states and pro rate that on a mileage basis.

Q. On mileage basis?

A. Yes.

The COURT: Some bonds rest exclusively on Missouri property?

A. Yes.

Mr. LADD:

Q. In this statement which is offered here, on the first page, Mr. Douglass, are miscellaneous freight earnings amounting to $60,000.00; you do not divide that at all between state and interstate?

A. No, sir.

Q. At any point?

A. No, sir; we have not done it in this case because it did not affect the freight or passenger earnings.

Q. You think if these undivided miscellaneous passenger and miscellaneous freight earnings are divided between state and interstate, it would not affect the result?

A. No, sir.

7229 Q. If a part was devoted to one and a part to another, the proportion between state and interstate would remain the same?

A. I would not say that exactly. But the miscellaneous earnings, we have allowed expenses to cover miscellaneous, independent of the freight and passenger earnings. So that by eliminating them from the expenses and from the earnings it does not affect the case. It is eliminated from both sides, from the earnings and from the expenses.

Q. What proportion of the expenses in the state do you allot to

miscellaneous earnings, passenger and freight—any proportion of those earnings?

A. Yes, sir; it appears on Page 2.

Q. What proportion those earnings bear to total earnings?

A. Yes, sir.

Q. You assign the miscellaneous earnings, both freight and passenger, that proportion which those earnings bear to total earnings, just as you assign to state and interstate in the first instance, in proportion to the relative earnings: is that right?

A. Yes, sir; the same principle.

Q. Now, how do you arrive at the division between the expenses in the state, between freight and passenger?

A. There is a formula given on Exhibit 2.

Q. I do not mean between the States. I mean between freight and passenger business in Missouri.

A. If that report is given——

Q. I mean at the foot of page 1.

A. The expenses of doing state business are ascertained by taking such expenses as we know are actual to freight and those that are common to both freight and passenger, such as road
7230 track expenses and the agency expenses and the general expense, traffic expense. They are apportioned on the basis of revenue train mileage.

Mr. HAGERMAN:

Q. That is shown on that Exhibit 2, on the second page of the formula.

Mr. LADD:

Q. Now take "Maintenance of Way and Structure"?

A. Yes.

Q. That is one item in your account?

A. Yes, sir; that is one item.

Q. Amounting to $334,000 and some odd dollars?

A. Yes sir.

Q. And amounting to $254,000 odd dollars for passenger?

A. Yes, sir.

Q. How did you reach those figures?

A. As stated before those figures were reached by taking the actual freight expenses, which can be located absolutely.

Q. But this is "Maintenance of Way and Structure"?

A. That is on the revenue train basis.

Q. That is the road bed?

A. Yes, sir.

Q. And station houses?

A. Yes, sir.

Q. It includes that?

A. Yes, sir; those are all given on Exhibit 2.

Q. It does not include any moveable property, does it?

A. It includes the yard equipment, but that is apportioned on train mileage, that part.

Q. And you say that is divided between freight and passen-
7231 ger or a revenue train mileage basis?

A. Yes, sir.

Q. What do you mean by "revenue mileage basis"?

A. Trains that are operated for revenue. That is, trains that earn freight and passenger earnings.

Q. Is that the number of trains or the number of miles that the trains run?

A. The mileage.

Q. You get the total number of miles that your passenger trains run, the total number of miles your freight trains run?

A. Yes, sir.

Q. And then you find the proportion between them and divide them in that order?

A. Yes, sir.

The COURT: State and interstate?

A. No, sir; between freight and passenger.

Mr. LADD:

Q. You put the passenger trains and freight trains so far as that particular item of expense is concerned, "Maintenance of Way and Structure," on an equality?

A. Virtually, yes.

Q. How is it about Maintenance of Equipment?

A. That is divided between freight and passenger on actual figures?

Q. That you can do, can you?

A. Yes.

The whole amount of that, if you please, That Maintenance of Equipment, that which is an expense in connection with the Maintenance of Equipment, which is common to both freight
7232 and passenger, we divide between freight and passenger on the basis of revenue train mileage.

Q. Just as you do Maintenance of Way and Structure?

A. Yes.

Q. Give me an illustration, if you will, of some expense of maintenance that is common to both freight and passenger service?

A. Maintenance of equipment. Superintendence is common. On Exhibit 2 you will find that. Locomotive repairs are common. Machine shops and tools are common. Stationery and printing are common. Such items as those. You cannot tell whether they are freight or passenger.

Q. How are locomotive repairs apportioned?

A. Locomotive repairs are apportioned on a revenue train mileage basis.

Q. Why do you say that is a common expense?

A. Because sometimes a freight engine will be used as a passenger engine, and vice versa. It depends upon conditions and necessities.

Q. That is the reason?

A. Yes, sir.

Q. That is the only reason?

A. That is the only reason.

Q. Because sometimes a locomotive will be used to either haul a passenger or a freight train?

A. Yes, sir.

Q. And that is why the expense of maintaining that locomotive is accounted a common expense: is that right?

A. Yes, sir, that is it.

Q. How do freight trains and passenger trains earnings per mile compare?

7233 A. Earnings per passenger mile last year were $1.27. Earnings per freight train mile were $2.26.

The COURT:

Q. You mean the passenger train earns that per mile in Missouri?

A. No, sir; that is for the whole system. I haven't it for Missouri.

Mr. LADD:

Q. Why do you not apportion that on a revenue basis?

A. Well, it would make it still worse for the passenger business if we did.

Q. I know, but we are trying both kinds of cases here now, you know.

Why didn't you do it that way?

A. It could be done that way, but there would be very little difference either way. We do it that way because in the case of repairs in a locomotive it is the amount of use that will apportion the expense. That is the nearest way to get it. It is the physical use of the locomotive.

Q. Maintenance of Way and Structure: do you think it is fair to apportion the common expense in the way you have said, between passenger and freight trains, according to the number of miles run?

A. It is as about as fair as any of them. They are common and they are correct.

Q. None of them can be exactly accurate, I understand, but wouldn't it be fairer to apportion a larger part of them to freight service than to passenger service. In other words, isn't

7234 there more wear and tear and weight on your freight trains than the passenger trains?

A. I believe, sir, that the increased speed makes up the difference in the weight.

Q. You think it would?

A. I am not an engineer. I would leave that to the engineering department.

Q. Getting down to this item of expense on the second page, at the foot of the page: you say, from this should be deducted such a sum as the Court would find would represent the extra cost of doing the state business. You assume there is an extra cost of doing state business over interstate?

A. Yes, sir.

Q. And the statement says if this cost were 50 per cent more?

A. Yes, sir.

Q. Now I want to know exactly what you mean by that assumption: suppose it costs 60 cents to earn $1.00 of interstate revenue, is this estimation based upon the proposition that it costs 90 cents to earn $1.00 of state revenue?

A. No, sir; you will see the demonstrations given on Exhibit 4 to Exhibit A. That does not mean double. It means in the case of state freight the difference would be 7.33 per cent.

Q. You think it doesn't mean what I ask you. Suppose it is ascertained that it costs $60.00 to earn $100.00 of interstate revenue: upon the 50 per cent basis, what will it cost to earn $100.00 of state revenue?

7235 A. Repeat that please.

Q. Suppose it costs $60.00 to earn $100.00 of interstate revenue, upon the proposition that it costs 50 per cent and over to do state business than interstate, what would it cost to earn $100.00 of state revenue?

A. I want to get this problem properly stated: you say that the expense of $100.00 interstate freight is $60.00, and what percentage of expense, or what expense would it take to earn $100.00 of state business.

Q. Suppose it is ascertained that it costs $60.00 to earn $100.00 of interstate revenue?

A. Yes.

Q. Upon the 50 per cent proposition how much would it cost to earn $100.00 of state revenue?

A. (After figuring:) In a case of that kind you would have to give propositions, one giving how much of your—you have it on the proposition that there should be $60.00 earned on state and also $60.00 earned on interstate business: is that your theory?

The COURT: No. $100.00 earned in each case $60.00 expense on one case and how much on the other?

A. You must give us both.

Mr. LEHMANN: Give me that.

Mr. HAGERMAN: I cant do it with one-half the problem given.

Mr. LEHMANN: If it cannot be done as given, that is the answer.

7236 Mr. HAGERMAN: You say it costs 50% more, but you have not given anything to compare it with.

Mr. LADD: What I want to know is, your statement here says: "If it costs over 50% more": what do you mean by 50% more?

A. It is 50% more of the expenses incident to the state business, not 50% of the total.

Q. 50% more than what? More than interstate?

A. No, sir; 50% more expenses on state business.

Q. And what do you mean by saying the expense was twice as much.

A. Twice as much as the interstate.

Q. Very well. Take this proposition:

Suppose it costs $60 to earn $100 of interstate revenue. One assumption here is that the expense is twice as much. On that

proposition, how much would it cost to earn $100 of state revenue if it costs $60 to earn $100 of interstate revenue?

A. Let me explain. That 50% is 50% additional of freight revenue, added to the state revenue, before arriving at your percentage of expenses. Exhibit 4 shows the way it is worked out. It is not 50% of the expenses.

Q. It is not revenue we are after, but cost. I understand this statement made here. You proceeded on two or three different propositions. Another is twice, and another is three times.

A. That is based on revenue.

Q. Now, I want you to take a concrete case. We want it on cost.

A. Exhibit 4 shows——

Q. What I want to get at is, what it means?

A. It means an addition to the percentage, based on earnings of an addition of 7.33 per cent. That is, 50% added, means
7237 7.33% of the total expenses of freight business, as shown on Exhibit 4, which shows the method of arriving at it.

Q. I dont care how you arrive at it, but I would like to know, if I can, how much it costs, if it costs $60 to earn $100 in interstate business, how much it costs to earn $100 in state revenue.

A. State both classes, and we will give it to you.

Q. Give me the result.

The COURT: Assuming the fact to be true, what do you say, Mr. Lehmann?

Mr. LEHMANN: $90.

Mr. HAGERMAN: Your expert says that is not so.

Mr. LEHMANN: I am an expert. $60 plus $30 is $90.

Mr. HAGERMAN: You must equalize it.

The COURT: What do you say, Mr. Ladd:

Mr. LADD: I don't know what it means, and I am asking the man who got this statement up, what it means.

A. The explanation of what it means is all given in Exhibit 4 in detail. You take a theoretical figure and work it out properly. Take the actual facts.

Q. I am not taking a theoretical proposition. I am taking a concrete proposition, $60 and $100.

A. We give you the concrete figures for the state of Missouri, and how we figured them out, and they are all shown on Exhibit 4.

Q. You cannot show me.

The COURT: Why does it take $90 to earn $100 on state, if it takes $60 across the line?

A. It does not figure out that way.

Mr. HAGERMAN: It is perfectly plain you must equalize the thing.

7238 The COURT: I don't know what you mean.

Mr. HAGERMAN: Reduce the interstate and increase the other.

Mr. LADD: I want the interstate to stand. It costs $60 to earn $100 in interstate business.

The COURT: If it costs $60 to haul a car of horses three hundred

miles, and you haul them three hundred miles within the state, what does it cost?

A. You cannot concede it costs $60 in the state, because all business, state and interstate, is all run together, and you cannot figure out that expense, unless you take all the expenses and all the earnings. If we could segregate the trains used for state and interstate business, we could do it that way.

Mr. LADD: Is it true that the same trains do carry state and interstate business?

A. Sometimes.

Q. And that you state you cannot segregate them?

A. You cannot segregate the expenses except on the basis we are doing it.

Q. You cannot tell, then, if it costs $60 to earn $100 in interstate business, what it would cost to earn $100, assuming it costs 50% more? The expense of earning $100 is 50% more in one case than in the other.

A. If there was nothing else entering into the condition, I would say $90. That is a plain mathematical proposition.

Q. Suppose the expenses of state traffic were twice as much as interstate traffic, to earn the same amount of money, how much would it cost to earn $100 of state traffic, if it costs you only $60 to earn $100 on interstate traffic?

A. Let me get that again.

7239 Q. Suppose it costs you $60 to earn $100 on your interstate traffic, your state traffic costs you twice as much to earn $100 as your interstate?

The COURT: Assuming that to be true.

Mr. LADD: That is the assumption, I take it, to be made here.

A. No, sir; that is not assumed. But taking your assumption, it would require $120.

Q. Suppose my assumption of what this means is correct; how much would the state traffic cost?

A. $120.

Q. If my assumption of what this means is not correct, will you tell me what it does mean?

A. Exhibit 4 shows you that 50 per cent is applied. 50% added to the state revenue, and the percentages to be applied on the expenses, figured therefrom.

Q. Figure it your own way, then. If it does not mean $120, or $90 in the other case, what does it mean?

A. On Exhibit 4, the interstate expenses are shown as interstate, 77.62, state, 20.24, and miscellaneous, 2.14.

Q. Please work it out on the $100 proposition, if it is possible, and then we can all understand it.

A. That would make it 40 and 60. It would make the interstate $40 and the state $60.

Q. Forty what?

A. $40, is your proposition.

Q. But my proposition was that it cost $60.

A. It costs $60, but the total cost is $120.

Q. My proposition was, to earn $100 on interstate business, costs $60. Now, what will it cost to earn $100 on state business?

7240 What does this mean?

A. Well, sir, it means you do $100 worth of state business and $100 of interstate business, and you say the $60 is what the interstate business costs, then I say if the business was transacted, the two of them together, the state business would be $20 more than the interstate.

The COURT: $80?

A. In the actual figures here, what you add to the state business is deducted from the interstate, because that would be altogether. You cannot take one instance and make an example of it, when you have them all together. You must take the total business done, state and interstate, and then apply the percentages of increased expense for state business, and eliminate the same amount from the interstate business, because it does not make any difference in the total state expenses. It only adds to one and deducts from the other. That is the reason why we have to make these percentages in the way we do on Exhibit No. 4. They are as plain as anybody could make them, on that exhibit. I might take all day, and not make it any plainer.

Q. You do not mean to do it, Mr. Douglass, but you get away from my question.

This $60 is a fixed amount——

A. Yours is a theoretical case, and this is a practical one.

Q. I think mine is a pretty practical case. It costs $60 to earn $100; how much is it going to cost in state business to earn the same amount of money?

A. You must put them both together in order to find the cost of each.

The COURT: Suppose your road did only this $200 of busi-

7241 ness in a year, $100 on state and $100 on interstate. Then how would you come out?

A. Then it would be 40 and 60.

Q. How much of the $200?

A. The state business would be $60 and the interstate $40.

Q. Of expenses?

—. ——.

Mr. LADD:

Q. But my proposition is, if it costs $60 to do one of this $100 worth of business——

A. You wish to know what it costs to do the state business?

Q. The Judge's proposition is this: You do $200 worth of business, and that is all the road does in the state. $100 of it you receive from interstate revenue?

A. Yes.

Q. And it has cost you $60, that ascertained sum, to do that interstate work. Now, how much has it cost you to do that other business?

A. How much is the total expense? You must give me the total expenses before I can give you that figure.

Q. I don't know that. Upon the suggestion that it is twice as much more, what is the total expense?

A. You must give the actual facts. We cannot go on theories. There is a condition that exists here. The total expenses for the $200 freight must be given, and then we can tell you what they are.

Mr. HAGERMAN: The total expense is a common level, and you are going to adjust that to allow the extra cost?

A. Yes, sir.

Q. And you must have that 90 up, and the other down?

A. Yes, sir.

Q. And without that, it is simply an abstract question?

7242 A. Yes, sir.

Mr. HAGERMAN: Judge Vandeventer figured it another way, by which it comes out every time.

Mr. LADD:

Q. The second line of Exhibit 6 reads: "Tons carried one mile, 253,242,824."

A. Yes.

Q. How do you arrive at the ton carried one mile?

A. Those figures were arrived at by taking the actual ton mileage for September, and multiplying them by three.

Q. You took the number of tons of freight you carried?

A. Yes, sir.

Q. And multiplied that number of tons by the number of miles?

A. Yes, sir, by the number of miles hauled.

Q. If you carried twenty tons ten miles, that is 200 ton miles, and if you carried thirty tons ten miles, it would be 300 ton miles?

A. Yes, sir.

Q. And you add them together and find 500 ton miles?

A. Yes, sir.

Q. That is the total business for the state, both state and interstate?

A. Yes, sir.

Q. Can you state how much of that was state, and how much interstate business?

A. Yes, sir. 33,177,919 was state. The interstate is, 220,064,905. The total is 253,242,824.

(NOTE.—Mr. Hagerman here reads from Judge Vandeventer's opinion.)

Mr. LADD:

Q. What was the cost per ton mile of transporting this freight?

A. We have not figured that. Our basis of figuring the

7243 cost is on the revenue basis.

Q. What was the revenue per ton mile?

A. 1.739 cents.

Q. You do not know what the cost per ton mile was?

A. You can figure the ton miles into the expenses, and that would give us the cost. We have not figured that out.

Q. You cannot answer that question?
A. I can answer that in a minute.
Q. Do you keep in your accounting department such a statement as that, the cost per ton mile?
A. I can give you the average cost for the entire system.
Q. Yes.
A. (After examining report:) The earnings per ton per mile for last year for the entire system were 1.01 cents.
Q. What is the average cost?
A. (After examining report:) It is not in our printed report.
Q. Unless you have it, I will not trouble you to figure that.
A. We haven't it printed. We can figure it out.
Q. Are you certain you haven't it there?
A. (After examining report:) Yes, I am certain.
Q. It is just as easy to ascertain the average rate per ton mile?
A. Yes, by dividing the revenue by the tonnage. It is merely a matter of computation.
Mr. HAGERMAN: It is on Exhibit 6; they can figure it out.
A. We can figure out the expenses per ton mile.

Mr. HAGERMAN:

Q. You have the total expenses on the first page, and you have the total tons carried one mile?
A. Let me tell you the reason it is not in the printed re-
7244 port. We do not apportion expenses between freight and passenger business. That is only done when it is absolutely necessary. It costs a great deal to do it, and we do not do it in all the states.

Mr. LADD:

Q. Don't you apportion expenses between freight and passengers on the whole business?
A. No, sir.
Q. On the entire System?
A. No, sir.
Q. How do you know if you are earning money?
A. We take the total expenses and the total earnings, and when we want to find out if we are losing on one or the other, we figure out the expenses for that particular state.
Q. Don't you separate your freight expenses from your passenger expenses, on your books?
A. No, sir, you can't do it.
Q. Don't you make any effort to do it?
A. We make an effort in a case of this kind.
Q. Don't your annual reports show it?
A. No, sir.
Q. How do you know at the end of the year whether you have made or lost money?
A. We know we always make our money on the freight business. We very seldom make any money on the passenger business. We are always losing on the passenger business.

Q. How do you know whether you are making or losing, if you do not make an estimate?

A. We do that in specific cases only. There is no object in going to the great expense of apportioning it between every state through which we run.

7245 Q. I suppose you have seen the annual reports of many railroad companies?

A. Yes, sir.

Q. And often?

A. Yes, sir.

Q. Don't you know many of them do that?

A. Yes, they guess at it.

Q. Don't you know they try to ascertain and report to their stockholders the average cost per ton mile, as well as revenue?

A. Yes, but it is simply a guess.

Q. Your company doesn't do it?

A. Except in special cases.

Q. What is the special case?

A. Just a case of this kind.

Q. If you have a lawsuit?

A. Where we have to demonstrate we are not getting sufficient money to pay for the business.

Q. Then you have to demonstrate it?

A. Yes, we demonstrate it to ourselves, all right enough.

Q. What do you say now is the cost per ton per mile for transporting freight in Missouri?

A. On the first page you will find the total revenue for transportation is $2,791,195.66, and the cost is $1,889,354.32, including taxes and rental.

Q. How much is that per ton per mile? This Exhibit 6 you have handed me shows 1.01 cents.

Mr. HAGERMAN: Haven't your experts figured that out?

Mr. LADD: Can't we ask Mr. Douglass a question?

7246 Mr. HAGERMAN: It takes a lot of time. Let us put some other witness on and have him figure it out for you. You have it all before you, and I am willing to take your figures.

A. 7.4 mills per ton per mile.

Q. So it leaves a profit of something over four mills?

A. We give you the exact profit there.

Q. 1.10 cents?

A. 3.6 mills.

Q. Your earnings are 1.10 cents, and your expenses are 7.4 mills.

A. Yes, sir.

Q. What is your net?

A. 3.6 mills.

Q. What are your expenses?

A. 7.4 mills, expenses, taxes and rentals in the State of Missouri.

Q. That includes taxes and rentals?

A. Yes, sir.

Q. And your net earnings are what?

A. 3.6 mills.

Q. That is not correct, is it?

A. It depends upon how much your interest charges are. If you did not have any interest charges, that would not be bad.

Q. Take it your expenses are 74% of the earnings, and that is not a bad record?

A. That is mighty poor.

Q. Why, in your report to the stockholders, do you show that, what the revenue is per ton per mile? What has ton per mile got to do with it? What is the object of that?

A. It is to compare it with other roads and other years.

7247 Q. What object have other railroads in making their annual report, in which they show the cost and revenue per ton per mile?

A. Just as a matter of comparison. If all railroads would adopt the same method of apportioning between freight and passenger expenses, that could be done, but the conditions on the different roads vary.

Q. Mr. Douglass, other railroads do that in their annual reports——

A. Some others, yes.

Q. A good many others, don't they?

A. I cannot say as to that; not many.

Q. Some others?

A. Yes, sir.

Q. Show the revenue per ton per mile and the cost per ton per mile, and why do they do that in their report to the stockholders? To show whether the road is prosperous or the reverse?

A. Just as a matter of comparison. If they have been doing it from year to year, they continue doing it.

Q. It is a comparison of expenses and revenue, isn't it?

A. It purports to be that, but it is not actually, and I have never considered it a good thing to give out as actual, something which is simply an estimate. It is not a good policy to print estimates as actual. We know actually what the rate per ton per mile is, but we do not know what the expenses are.

Mr. HAGERMAN:

Q. Did you ever see an annual report have it in it?

A. I presume some have.

Q. I would like to see it.

A. I have seen one or two, but very few of them do it.

7248 Q. I would like to know for myself. I have never seen any. What company does it?

A. I have seen one of the eastern roads show it.

Q. The reason I call your attention to it is because I would like to know if any of these other roads have it?

A. Very few of them have it.

Mr. LADD:

Q. Mr. Douglass, have you any means of ascertaining what the

extra cost of doing state freight business is, over and above interstate, on your road?

A. Well, we have means of ascertaining some of the extra cost.

Q. Have you any opinion on that point, yourself?

A. Yes, sir.

Q. What is your opinion?

The COURT: What are you talking about now, freight or passenger?

Mr. LADD: Freight.

A. My opinion is that in some sections the expenses——

Q. I mean, take the whole state business, what is the extra expense, if any, of doing the state business over interstate, on your road, in the State of Missouri?

A. Without a great deal of investigation I could not give—I can only give you an estimated amount.

Q. Well.

A. My estimate would be that it would be about 200%.

Q. 200%?

A. Yes, figuring it on the same basis we are doing it now.

Mr. HAGERMAN: Twice as much?

Mr. LADD: That is four times as much.

A. No, sir.

7249 Q. Do you mean $400 or $200?

A. 200%. In other words, it takes 200% more.

Q. That means four times as much, doesn't it?

A. No, sir.

The COURT: How do you get four times as much?

Mr. LADD: 100% is twice as much.

The COURT: And 200% is four times?

Mr. LADD: 50% is half as much more.

The COURT: I thought 100% of one dollar was one hundred cents.

Mr. LADD:

Q. I am asking for the excess. You mean twice as much, at all events, no matter about the per cent?

A. Yes, sir.

Q. You mean twice as much?

A. Yes, sir.

Q. Do you mean it costs twice as much to earn one dollar of state revenue, as it does to earn one dollar of interstate revenue—what do you mean by that? Is that what you mean?

(Witness examines report.)

Q. I am asking for your personal opinion, and not that report. That is not committed to any particular share. What is your opinion?

A. My opinion is based on the figures we have presented here. In

other words, for every $100 of state freight revenue, it would cost us at the least $115—just a moment, please.

(Witness examines exhibits.)

Mr. HAGERMAN: If your Honor please, I did not call Mr. Douglass or ask his opinion as an expert, and I simply want to serve notice that if they go outside of the direct-examination, he is their witness.

Mr. LEHMANN: I submit this is proper cross-examination. The witness presents here a report, which is put in here, and it is stated to begin with, that the report is correct. That report assumes
7250 to make an apportionment of cost and expense between different kinds of business, and we have a right to cross-examine with reference to that, and see upon what basis these apportionments are made. That report is the report of an expert and should not be introduced by this witness, or verified by him as correct, unless he is an expert.

Mr. HAGERMAN: I simply want to make the objection, and then they can go on and cross-examine as they please. But if the Court finds such and such should be an assumption, that would be the basis. There are plenty of experts who will testify without asking an accountant, and I am simply saying that if they ask him, they make him their witness in that behalf.

Mr. LEHMANN:

Q. This report assumes to make an apportionment of expenses?
A. It says, "if".
Q. It assumes to make an apportionment on the basis of revenue.
A. Yes, sir.
Q. What justification is there for that? We say it costs so much to carry a ton of freight a mile, regardless of what you get for it. If you did not get anything, your cost is still there, and your cost is not a per cent of your revenue. That is a mere incident of it. We have a right to inquire into this revenue theory, why it is adopted, and what basis it rests upon. We submit there is not any other business in the world where they derive cost from income. Costs are incurred independently, even where there is no income.

The COURT: Now, this brings us to the question I have been talking about before, whether I am to rule on the admissability of evidence or not. Of course the same rule must be applied to both sides. It does seem to me that in the trial of an equity case,
7251 unless it become frivolous, or something of that kind, we are liable to get the record in such shape that it will go up on a writ of error instead of on appeal.

Mr. HAGERMAN: My objection does not rule the evidence out, but asks you to determine whose evidence it is.

The COURT: I do not know any other way except to leave it to counsel to say whether they are in the record or out. I do not know of any other way in the trial of an equity case. That matter was commented upon in, I think, the first case in the Ninety-second Report. Otherwise, you cannot get a certificate or statement of the

Court, when it goes up, that it was all the evidence offered. You must have an untruthful statement. That is, the evidence was offered and excluded.

Mr. LADD:

Q. Mr. Douglass, now what did you say about the $115?
A. It would cost us $15 per hundred more than on interstate business, at the least.
7252 Mr. HAGERMAN: Is that passenger or freight you are talking about?
The COURT: Freight.
A. Freight, yes. That is at the least.
Mr. LEHMANN: $15 more to earn the same amount of money than the interstate business, is that it?
A. Yes, sir.
Q. What is that sum?
NOTE.—The witness here asks his assistant to figure.

Mr. LEHMAN: I do not want the assistant to figure it out. We want your opinion.
A. What is it you want figured out?
Mr. LADD: You said it cost $15 more to earn the same amount of money in the state business than in the interstate business. What is that sum of that cost?
A. What composes that sum?
Q. What does it amount to?
A. For the state of Missouri?
Q. In dollars and cents?
A. For the three months we are reporting?
Q. Yes. What does it amount to in dollars and cents?
A. (After figuring.) For state business that would be $83,578.92 for three months.

Mr. LEHMANN: $15 more to earn $100 in state business, than to earn $100 in interstate business.

Mr. LADD: Perhaps you do not understand my question, or perhaps I do not understand you. I understood you to say it would cost $15 more to earn $100 of state business than to earn $100 of interstate business?
7253 A. Yes, sir.
Q. $15 more?
A. Yes, sir.
Q. I asked you what the cost would be, both on state and interstate, to earn that $100?
A. Yes, sir.
Q. If it costs $15 more for state than interstate, what would those respective sums amount to?

Mr. HAGERMAN: We object to this, unless you give the figures involved, the total expense of doing the whole thing, and the percentage of state and interstate, or it cannot be figured.
The COURT: There is no use making speeches, unless I am to rule.

A. You give me the total expenses and I will tell you.

Mr. LADD: Give it to me. How can you tell me the difference unless you know the two sums between which the difference exists?

A. We have the total expenses here. You must give me the total expenses.

Q. What figures did you take that gave you the difference of $15? You said it cost $15 more.

A. I said "at least."

Q. How did you get at it? What figures did you take?

A. By taking the total expenses incident to the operation of the railroads in Missouri.

Q. Why does it cost $15 more?

A. It costs at least that much more by reason of expenses incident to state business, that interstate business has nothing to do with.

Q. What are the expenses.

7254 A. They are very numerous.

Q. Mention some of them.

A. Terminal expenses at the large points in Missouri where the interstate business scarcely participates at all, and where it does participate, to only a limited extent.

Q. What part of the increase is due to that?

A. I should say—it would be a difficult matter unless I take the expenses of those terminals. I was not expecting to testify on that.

Q. What expenses?

A. The total expenses in the terminals in St. Louis, Missouri. The through traffic passing through St. Louis, the expenses on interstate business, will not be possibly five per cent of the total expenses.

Q. How much would it be on the state?

A. The state would be ninety-five per cent, in a case of that kind.

Q. Five per cent of what?

A. Five per cent of the terminal expenses at St. Louis.

Q. Five per cent of the terminal expenses?

A. Yes, sir; the through business would not amount to five per cent of the terminal expenses at St. Louis.

Q. You mean the whole terminal expenses?

A. I say, a part of the through business would not be five per cent of the terminal expenses at St. Louis or Kansas City.

Q. And the other ninety-five per cent is to be charged to state business entirely?

A. Yes, sir, the local or state business.

7255 Q. You take a carload of stuff, Mr. Douglass, consigned from St. Louis to Springfield, Missouri?

A. Yes.

Q. And you take another car consigned to some point in Arkansas?

The COURT: From St. Louis?

Mr. LADD: Yes, from St. Louis.

What is the difference in the terminal expenses in St. Louis on those two carloads of stuff?

A. That is not the through business I am referring to.

Q. I will ask you to answer my question.

A. If it is the same class of business?

Q. Yes, the same class of business.

A. Going to Springfield, and that going to Arkansas; that at St. Louis will have to stand its proportion of the terminal, and also stand its proportion of the total expenses at Springfield, Missouri.

Q. I am not talking about Springfield, but St. Louis, Missouri.

A. If the business is loaded at St. Louis, then it will stand its proportion of the expenses.

Q. Of the terminal expenses?

A. Yes, sir.

Q. The terminal expenses would be exactly the same at St. Louis on the two shipments?

A. Yes, sir.

The COURT: But if it comes from Little Rock and goes to Indianapolis?

A. Then it does not touch it at all.

7256 Q. But from St. Louis to Springfield it would be exactly the same?

A. Yes, sir; but double the expense at Springfield.

Mr. LADD: A carload of stuff going from Little Rock, Arkansas, to Springfield, Illinois: What do you say about the terminal expenses at St. Louis, not any at all?

A. There would not be any of the station expenses and terminals at St. Louis.

Q. No expenses there?

A. No terminal expenses at all, except for clerk hire to keep track of the cars passing to the bridge.

Q. Does not that car have to be switched at St. Louis?

A. It is delivered in the train load.

Q. Suppose it is. Suppose there is just one car?

A. Then it is set off on a transfer track to the bridge, and that ends it.

Q. There is some expense at that terminal?

A. A very light expense, perhaps five per cent, as I said before.

Q. There is some?

A. Yes, sir; a slight expense.

Q. Now you have spoken of terminals. What else is there that adds to the extra cost of the state business?

A. There is a very expensive item. I would rather someone else testified to that.

On state business the local trains leave St. Louis, say with thirty cars in a train. They distribute a car at Kirkwood, and another at Pacific, two at Rolla, and they lighten the train as they go along, so at the end of the journey they are carrying perhaps only

7257 ten cars in the train. Whereas, a through train on interstate business goes through, loaded to its full capacity of say thirty cars; and it takes the same cost for train service to haul those local trains containing only ten cars for a part of the journey, that it takes to haul the thirty cars all the way through.

Q. What do you mean by "through trains"?

A. A through train that goes through the state.

Q. From St. Louis away through the state?

A. Yes, sir.

Q. That is what you mean by a through train?
A. Yes, sir.
Q. And goes to Arkansas?
A. Yes, or any place else.
Q. What do you mean by a "local train"?
A. A local train is one that distributes freight to local points in the state. Sometimes a local train goes into another state. That will be a local train also.
Q. What is the first division point on your road west of St. Louis?
A. Newburg, I believe. I would rather you would get that information from the operating department.
Q. What is the next one?
A. I believe it is Springfield.
Q. Now, Mr. Douglass, I will ask you whether you do not know that interstate traffic is carried on what you call local trains, on your road?
A. There is some, as I said before.
Q. And that state traffic is carried on what you call through trains?
A. Very little of it, I believe.
7258 Q. What percentage of it?
A. You will have to ask someone else that.
Q. What percentage of interstate traffic is carried upon your local trains?
A. You will have to ask the operating department that.
Q. There is some?
A. A little.
Q. You don't know how much?
A. I know it is limited.
Q. Have any of the officials of your company, in view of this case, made any test by actual observation of the trains?
A. I have no doubt they have.
Mr. HAGERMAN: Do you know anything about it, not what you think?
Mr. LADD: That would be the way to get at it.
A. Get it from the operating officials. They handle the physical operation of the trains.
Q. The waybills would show it?
A. The waybills would show where billed, but whether handled in a local or a through train, does not show.
Q. Your people have a way of finding that out?
A. Our operating officials can tell you all about it.
Q. The proportionate amount of interstate business carried on local trains, and the proportionate amount of state business carried on what you call through trains?

Mr. HAGERMAN: We object to counsel asking this witness something outside his business. That is not the question.
If you do not know, tell them so.

Mr. LADD: Do you know whether any actual test of a week, or even a day, has been made by the officials of your company,
7259 to determine the relative loads and the weight of loads on the local trains and on the through trains?

A. Yes, sir; they know; our operating officials know.

Mr. EVANS: Do you know whether they know or not? This witness cannot testify what some other man knows.

A. That does not come within my jurisdiction.

Mr. LADD: You have been in the railroad business long enough to answer.

Isn't it entirely practicable for your company to have demonstrated this by actual observation and test?

A. It is an easy matter to do it.

That is objected to by counsel for complainant.

The COURT: I am not ruling on that, but I suppose it is practicable for both sides to show that.

Mr. LADD: It is not practicable for us.

The COURT: When you enacted the law, you did it intelligently, knowing what you were doing; and in resisting it, the railroads knew what they were doing—theoretically, I mean. You will not say that the members of the legislature, acting under oath, did not act on information. And these gentlemen representing the railroads, will not say when they are resisting the enforcement of this law, that they did not know what they were doing. There you are.

One further thing: You are all the time talking here—I say this without any criticism—but you are talking about interstate business. It is interstate business to bring a car from Little Rock Arkansas to St. Louis. Likewise it is interstate business to bring a car from Little Rock, Arkansas, through St. Louis, Missouri, to Indianapolis. There is where we are. I don't believe we are getting very much to clarify the situation about what is going on. I am not criti-
7260 cising, but I am simply saying I am observing these things.

Mr. LADD: I can only say this: It is a very difficult and complicated question which has been presented to us for an hour and over. I think both sides should give the Court all the information within their power.

The COURT: I would be very glad to get some information.

General HADLEY: These railroads have come in here to resist the enforcement of the law, presumably with reason. One reason is the increased cost of doing the state business, and one ground for that increased cost is the large amount of state freight handled on the so-called local trains, as compared with the amount of local freight handled on through trains. Our point is, that when they make the claim that that is the reason for the increased cost, they ought to have facts instead of theories.

The COURT: I endorse that.

About the train,—I just want to throw that in. I endorse this statement, but why the presumption in favor of the validity of the statute? Because it is presumed that the legislators acted on facts and intelligently.

I am going to adjourn, because it will drive us all to a state of nervous prostration to continue business here, and I suggest the Court of Appeals room in the state court for tomorrow's session.

(At this point the further hearing of testimony herein was ad-

journed until Tuesday, November 10, 1908, at ten o'clock a. m., then to be resumed in the Court of Appeals room in the state court.)

7261 KANSAS CITY, MISSOURI, *Tuesday, November* 10, 1908.

(Met, pursuant to adjournment as above stated, in the State Court of Appeals room, on Tuesday, November 10, 1908.

Present: Parties as before, when the following proceedings were had:)

Cross-examination of ALEXANDER E. DOUGLASS continued by Mr. S. B. LADD:

Q. Did I understand you to say yesterday, Mr. Douglass, it costs $115 to earn $100 in state freight business on your road?

A. No, sir, I never said that.

Q. What was it, about $115?

A. I stated it would cost $15 more to earn $100 of state revenue, than it did to earn $100 of interstate. That was my personal opinion.

Q. How much would that be? On that basis, being $15 more in the state business than in the interstate business, how much would it cost to earn $100 in the state business?

A. That proposition, I do not quite understand what you mean.

Q. You say it would cost $15 more, as I understand you, to earn $100 in carrying state freight than to earn the same amount of money carrying interstate freight; is that right?

A. Yes, sir.

Q. How much did it cost to earn $100 carrying state freight?

A. Give me the cost of carrying the interstate, and I will tell you.

Q. What do you say? What would it cost?

A. Your proposition is not a practical one, Mr. Ladd.

Q. You have been dealing with figures all your life?

A. Pretty much.

7262 Q. And you got up that statement?

A. Yes, sir, and that statement speaks for itself.

Q. You say it would cost, in your judgment, $15 more to earn $100 in carrying state freight, than to earn the same amount of money in carrying interstate freight?

A. Yes, sir.

Q. Can't you then tell me how much money it would cost to earn $100 in state, and likewise in interstate?

A. If you tell me what it costs in one, I will tell you the other.

Q. Can you tell?

A. Tell me your figures.

Q. Take your figures.

A. It costs various amounts on various railroads.

Q. On your road.

A. That statement shows exactly the cost to us.

Q. According to your statement, what does it cost to earn $100 of state revenue?

Mr. EVANS: He said a while ago you would have to give him the total amount.

Mr. LADD: Take your own figures.

A. I am taking the total amount. You would have to take the total amount of the expenses of both. You understand they are carried together. Now your question implies that I am to take the total amount of the operating expenses of the Frisco Railroad on freight business, and apportion it between state and interstate expenses. The statement before you gives that information.

(Witness here figures.)

Mr. EVANS: Unless the question contains the total amount,
7263 how can you estimate it?

A. You cannot estimate it.

Q. The question does not give it, does it?

A. No, sir.

Q. Then how can you answer it?

Mr. LADD: Give it in your own way.

Mr. HAGERMAN: Do you understand that is on your own figures, Mr. Douglass: That is, you are privileged to take your own figures in your own statement?

A. That is what I understand now.

Q. Then it is simply a mathematical proposition, earnings and expenses and diminution.

Mr. LADD: I think the Auditor of the road should be able to do that.

Mr. HAGERMAN: It is simply a question, if the Auditor understands the question.

Mr. LADD: I guess he understands it.

A. That is including taxes and rentals, you want?

Mr. LADD: Leave out taxes and rentals for the present.

Mr. HAGERMAN: I don't see why we should sit here while this witness figures out their answers.

The COURT: Ask three, five or fifty questions that require computation; then the witness can go into the library and figure them out, and we will call some other witness.

Mr. LADD: May I suggest this: I can ask the questions as they occur to me, and then let Mr. Douglass take it at noon and figure them, and give the answers later?

The COURT: Very well.

Mr. LADD: How much more would you apportion to state busi-
ness—I mean per centage—than to interstate of the expense
7264 of maintaining way and structures.

A. I should prefer that you ask those questions of the operating men.

Q. You keep the accounts?

A. Yes, sir.

Q. You got up that statement?

A. I got up that statement.

Q. The operating men do not keep the accounts?
A. They keep their own account of expenses and report to the Auditing Department.
Q. According to their reports, then, how much more in your office would you charge the state than the interstate business, what per centage, on account of the expense of maintenance of way and structures—any more?
A. That has never been accurately ascertained by any one.
Q. How much do you estimate it?
A. I gave you my testimony, and my own personal opinion was that it would cost $15 for every $100 of revenue.
Q. How much for maintenance of way and structures?
A. That I have not segregated.
Q. $15 is the whole thing?
A. Yes, the whole thing.
Q. How much do you allot to maintenance of way and structures?
A. I will have the Engineering Department tell you that, apportioning it to different expenses.
Q. Can you tell how much you apportion to maintenance of equipment?
A. No one can tell that.
7265 Q. Did you estimate it?
A. We estimated it.
Q. What did you estimate it at?
A. That $15 in my judgment, would be about 25%.
Q. Maintenance of equipment would be about 25% of the $15?
Mr. EVANS: He didn't say that.
A. The total would be 25%.
Mr. LADD: The extra $15 would be about 25%?
A. Yes.
Q. How much of that $15 do you assign to maintenance of equipment?
A. I have not figured that at all.
Q. What do you assign to traffic expenses?
A. I haven't figured that.
Q. Have you made any estimate?
A. My estimate is $15 on the whole.
Q. How much do you assign to transportation expenses?
A. I haven't figured that.
Q. You have not made any estimate?
A. An estimate on the whole.
Q. And how much do you assign to general expenses?
A. I have not estimated it.
Q. That is the whole category?
A. That is the whole thing.
Q. Do you think you can make an estimate on the whole?
A. Yes.
Q. And are unable to make an estimate on the parts of that whole.
A. I suppose an estimate can be made by long study and figuring, and gathering information from the Transportation and
7266 Operating Departments.

Q. I merely want to know how you arrived at your estimates, what basis that estimate is made on.

A. I told you that was my personal opinion, based on experience.

Q. Independent of anything connected with the different branches of the service?

A. No. Taking the expenses of the entire service.

Q. Independent of the different branches?

A. Taking them all together.

Q. You are unable to give any estimate——

A. Any estimate of each. I would not presume to do that.

Q. Would you say each branch of service I have enumerated here would be taxed with the same percentage of increase?

A. No, sir, I do not say that.

Q. Which would be the largest?

Mr. EVANS: I submit the question has been answered at least twice.

Mr. LADD: What would be the largest?

A. I have no doubt the Transportation Department.

Q. Which would be the lowest?

A. I presume—I am not prepared to say except from further investigation through the various departments.

Q. According to this statement, your passenger earnings for the state business, for the months of July, August and September, were $599,051.59; is that right?

A. $599,051.59 is correct.

Q. That was for July, August and September, 1907?

A. Yes.

Q. Will you please give me the passenger revenue for the
7267 corresponding months of 1906?

A. I couldn't give you that, because it has not been figured. It takes a very long time to figure out those state and interstate figures, and I was never asked to do it. We haven't it.

Q. Who asked you to figure out what you have figured?

A. Our counsel.

Q. They did not ask you to give the passenger revenue for those three months of 1906?

A. No, sir.

Q. Now, your total revenue for the three months mentioned of 1907, both state and interstate, was $967,739.02; is that right?

A. Yes, sir.

Q. What was your total passenger revenue, state and interstate, for the three corresponding months of 1906?

A. As I have said, I have not produced those. Our passenger revenue is increasing every year everywhere, from five to fifteen per cent.

Q. You know that is not an answer to my question. That could be very easily ascertained?

Mr. HAGERMAN: I did not ask him to prepare it. The books are open to you.

Mr. LADD: It could be ascertained?

A. It could be ascertained by searching the books.

Q. That does not require a separation of state and interstate?

A. We cannot get it for the state, because we do not keep it separate from the system earnings.

Q. Couldn't you give the total of the state, not separated, state and interstate?

A. No, sir, we did not keep the state earnings separate last
7268 year at all.

Q. So you cannot give us that?

A. No, sir, I cannot give you that without a great deal of time and expense.

Q. So it is impossible for you to say and inform the Court, whether your earnings under the two cent rate, for the months of July, August and September, 1907, were more or less than they were for the same three months of the previous year?

A. What is that question?

Q. You are unable to inform the Court whether your earnings under the two cent law for the months of July, August and September, 1907, were more or less than they were under the three cent law for the corresponding months of the year preceding?

A. No, sir, because we do not segregate them for those months.

Q. You cannot do it?

A. We can do it, yes.

Q. You cannot state it to the Court, now?

A. No, sir, but I can tell you that there was a decrease for the year in the System earnings.

Q. What year?

A. The fiscal year ending June 30, 1908.

Q. That is, the passenger earnings of the System for the year ending June 30, 1908, were less than they were for the year ending June 30, 1907?

A. Yes.

Q. How much?

A. I have not my annual report before me, but my recollection is it was two or three hundred thousand dollars.

7269 Q. Is that net earnings or gross earnings?

A. Gross.

Q. In your opinion, Mr. Douglass, did the general depression in business have anything to do with the reduction of your passenger business in 1908? I refer to the depression which began in the Fall of 1907 and continued?

A. Our year's figures showed we carried more people, about the average increase over the previous year, but our earnings were less, much less.

Q. How many people did you carry? You say you carried more people?

A. I think in the neighborhood of possible 13%, or something like that, over the previous year.

Q. Can you give me those figures?

A. I have not the figures with me, Mr. Ladd. If I had our annual report, I could give them, but I haven't it with me.

Q. I wish you would ascertain if you have it in your annual report, so as to give us an answer to that question later on.

A. Yes, sir, I will do that.

Q. Can you give me the number of passengers carried one mile during the fiscal year ending June 30, 1907? If you cannot do it now readily, give it to me later.

A. I think it is in one of the exhibits for the three months.

Q. I mean for the fiscal year, ending June 30, 1907? If you cannot give it right away, give it to me later. Give me the number of passengers carried one mile, for the year ending June 30, 1908, the number of passengers carried one mile for each month during both those years?

7270 A. I cannot give you the information for each month; I can give it to you for the year.

Q. Can you give it in any section of a year, say by quarters?

A. I can give you for the year, and in this Exhibit 7, I think I have it for three months.

Mr. HAGERMAN: Could you get it all from the annual report?

A. Yes, sir, for the year, but not by months.

Mr. LADD: We have not the annual report.

Mr. HAGERMAN: You have had access to it. You can figure out anything you want. There is no use asking this man for what you already have, or can have by asking for it.

Mr. LADD: Will you please give us, either now or later, the number of passengers per mile carried during the three months, July, August and September, 1906. We have it for 1907.

A. We cannot give you that for 1906 because it has not been worked out. You know working out state passenger mileage is a matter that costs hundreds of dollars, and takes weeks and weeks to do it with a force of clerks, and you cannot say off hand what that is.

Q. Can you give us the number of passengers carried one mile on your entire system?

A. Yes.

Q. For the months of July, August and September, 1906?

A. I cannot give you that for that period. I can give it to you for the year, but not for certain months.

Q. You say that the passenger revenues as a whole for the year ending June 30, 1908, were less than they were for the same period ending 1907? Is that correct?

7271 A. Yes, sir, for the year.

Q. The gross revenue for the passenger service?

A. Yes, sir, for the System.

Q. When did you begin to notice the diminution in those revenues? When the depression began last Fall?

A. I cannot recall the date.

Q. You do not know when it began?

A. Unless I refresh my memory by an examination of the record, I cannot tell you.

Q. Would it be to- much trouble to examine the record and answer that question?

A. I would have to go back to St. Louis, and it would be a good deal of trouble.

Q. Could you tell by examining the record?
A. Oh, yes.
Q. When this diminution of revenue began, and at what time in the year 1907?
A. Yes, sir; that could be obtained by examining the record.
Q. I would like to ask you to give us that information.
On Page 1 of your Exhibit you have as the expense during the three months mentioned, July, August and September, 1907, of maintenance of way and structures, $334,000 and $254,000, making an aggregate of something like $590,000, isn't it?
A. In that neighborhood, yes, sir.
Q. That is for the months of July, August and September, 1907?
A. It is.
Q. Were those average months for that expenditure?
A. Well, those are usually, both for earnings and expenses,
7272 large months.
Q. They are?
A. Yes, sir.
Q. If you multiply, say $590,000 by four, that would make $2,360,000 for the year, wouldn't it?
A. Yes, sir, in round numbers.
Q. About how much is that per mile?
A. 1713 miles in Missouri. I will calculate that and give it to you later.
Q. That certainly cannot take you but a moment. It is only approximate, anyway, and not exact.
A. I figured it yesterday, $1377.
Q. $1377 per mile? Is that right? That is certainly not far from right according to our figures here. $1377 per mile for maintenance of way and equipment——
A. Maintenance of way and structures.
Q. Yes; that is what I meant to say. That is in Missouri?
A. Yes, sir.
Q. That is, if those were three average months?
A. Yes, sir.
Q. Turn to your annual report, if it shows it—I do not know if it does—and state what your annual expenditures per mile on your system were for maintenance of way and structures.
A. As soon as I get the annual report here.
Q. Didn't you have an annual report here yesterday?
A. No, sir, I had the annual report of the preceding year.
Q. What was it for the preceding year, if you have that?
A. I haven't that with me now.
Q. For the year 1908 you haven't it?
7273 A. If you would give me notice in advance what to bring here, that would be all right.
Q. Have you the annual report for the year 1908 in the court room now?
A. I have not got it with me.
Q. Have you for 1907?
A. Yes.

Q. Look at the report for 1907 and see what that shows?

A. I will say this: We haven't it for Missouri.

Q. I asked you for the System. Give us an answer to that this afternoon.

The question is, what was your annual expenditure for the maintenance of way and structures per mile on your System for the year ending June 30, 1908, and also for the year ending June 30, 1907.

A. Very well.

Q. Here is another question, which you may prepare to answer later, if you will:

What was your annual expenditure per mile of road on the System for maintenance of equipment for the year ending June 30, 1907, and also for the year ending June 30, 1908?

A. Very well.

Q. Take your expenditures for maintenance of equipment in Missouri as shown on page 1 of your Exhibit, for the months of July, August and September, 1907, multiply them by four, and see what the average per mile for the year is, on account of that expense—the average in Missouri.

A. Very well.

Q. Do you know whether your tariff for state freight is higher or lower than it is for interstate freight in the same district?

7274 A. I cannot tell you offhand, without examination.

Q. Which one of your officials would know that?

A. Our traffic people.

Q. But you cannot tell?

A. Without examining the record, no sir.

Mr. LADD: I wish the privilege of recalling Mr. Douglass for answers to those questions which he is to answer later.

Redirect examination by Mr. HAGERMAN:

Q. Something has been said, and it may be inferred that counsel had the idea that what is set forth here as extra cost of doing state business is a matter that is carried as an expense on your books, in differentiating between state and interstate business.

Is it true this element entered upon the books at all?

A. No, sir.

Q. Is there any division on the books as between state and interstate business?

A. No, sir.

Q. In other words, this element of extra cost of doing state over interstate business, is a matter depending entirely upon the finding of the Court from the testimony in the case?

A. Exactly.

Q. Something was said, that if it costs $60 to earn $100 on interstate business, and fifty per cent more to do the state business, how much expense would it take to earn $100 in state business?

Do you remember that question was asked?

A. Yes.

Q. Of course that would be quite a simple thing, if one road was

engaged simply in interstate business, and another railroad
7275 on another track was engaged in state business?

A. Yes.

Q. Then it would be $90 in that case and $60 in the other?

A. Yes, sir.

Q. Why is it impossible, without having the total cost, and the proportion between state and interstate, to ascertain the extra cost in the same way?

A. You must have the total in order to do that.

Q. In other words, in the practical operation of the railroad, there is no division of the expense between state and interstate business?

A. None whatever.

Q. Therefore, when you say it costs more to do the state than the interstate business, you are speaking of the practical situation, where the expense is commingled?

A. Exactly.

Q. And the Court has got to find some method of separating them and making some allowance?

A. That is correct.

Q. Let us work out an example so the Court may understand exactly how you reach it.

The cost of interstate freight is given at $60, and that earns $100. Take the same earnings, $100 for state, and the same expense, and you would have $120 earning $200?

A. Yes.

Q. Now, work it out first in accordance with the opinion of Judge Vandeventer. Increase the state earnings by the ascertained percentage. The percentage they used was 50.

A. The total earnings were $200.

7276 Q. $100 for each class?

A. And $60 expense for each class?

Q. Yes. That makes $120 total cost?

A. Yes, sir.

Q. Judge Vandeventer says: "Increase the state earnings by the ascertained percentage—" which is 50?

A. That is 150.

Q. That makes 150 for state earnings?

A. Yes, sir.

Q. Thereby ascertain what would have been earned by the same actual expenditure in conducting the state, that had been conducted at the same relative cost as the interstate; then add the state earnings as thus increased, to the interstate; that is, 150 to 100. Thereby ascertain what would have been earned by the actual expenditure in conducting both state and interstate traffic, had they been attended by the same relative cost.

How much does that make, when you have added those two?

A. You have figured out percentages?

A. No, the same total; 150 and 100.

Mr. LEHMANN: 120 earns 150.

A. 120 earns the 200.

Mr. HAGERMAN:

Q. Follow Judge Vandeventer's language: "You add the state earnings as increased by 50%, and that makes 250"?

A. That is right.

Q. That is your total earnings?

A. Yes, sir.

Q. Then ascertain what proportion of this total represents the state earnings. That would be 60%, wouldn't it, 250 into 150? That is, the 150 is what per cent of the 250? 60%, isn't it?

A. Exactly.

7277 Q. Take 60% of your total cost, the expense of 120?

A. $72.

Q. $72, according to Judge Vandeventer's method of reasoning, would figure out the cost of doing the state business.

Now, what would be the cost of doing the interstate business.

A. $48.

Q. Now, isn't that exactly in result the same thing as put down by a short method of computation in the figures which you have attached here, as illustrating the increased cost?

A. That is the theory.

Q. So the two things, when worked out, mean exactly the same thing?

A. Yes, sir; the same thing.

Q. And wherever you get a case of mingled cost undivided, it is a question for the Court to divide it, and you must reach some method of apportionment along those lines?

A. Yes, sir.

Q. If the revenue basis is the right one, that is the percentage which would be increased?

A. Yes.

Q. Or if the ton mile, or some other percentage, you would work it out by some kind of an example?

A. Yes, sir.

Recross-examination by Mr. LADD:

Q. What is the difference between the cost of earning the money on the interstate business and the state business, according to those figures you have just taken down there?

A. Those figures that were just stated were 24.

Q. That is $9.00 more than your estimate. Your estimate

7278 was $15.

A. It is 50%. My estimate was not 50%.

Q. What is your estimate? 25%?

A. My estimate was that it was $15 for every $100.

Q. You do not mean by that certainly 15%?

A. No, sir.

Q. What do you mean?

A. That is the equivalent, in the neighborhood of 24% of the expenses.

Q. Instead of 50%?

A. Yes, sir.

Q. Now, Mr. Douglass, let me ask you a question, and a different one from which Mr. Hagerman asked you. You have not answered my question yet.

Suppose, according to his Honor's suggestion yesterday, that your road does only $200 worth of business in a year. $100 of its revenue comes from interstate, and $100 of its revenue comes from state business. It actually costs $60 to earn that $100 of interstate revenue.

Suppose it costs, according to the language of this statement, 50% more to earn the state revenue than it does to earn the interstate revenue, what are the total expenses of earning that $200?

A. You give an answer to your own question. If it costs 50% more?

Q. What are the total expenses? The interstate expenses are $60. What are the total expenses of earning the $200?

A. The interstate expenses, if you know they are actually $60, and you say the state expenses are 50% more, that would make $90.

Q. So the total expenses would be $150?

7279 A. That is according to your theory.

Q. No, I have not any theory. I am just asking a question.

A. Then, according to your question.

Q. Now, that is a question I put to you yesterday.

A. That question does not bear on this case at all.

Q. Don't you think so?

A. No, sir.

Q. You have answered a question of Mr. Hagerman's, which results in the interstate expenses being $48?

A. Mr. Hagerman gave the total expenses.

Q. You have answered my question, and I am obliged to you. It is $90 to $60?

A. Yes, on that question.

Redirect examination by Mr. HAGERMAN:

Q. Whenever the state and interstate expenses are undivided, and it is left to the Court to make the division, that increased cost would be for conducting the state business, and you must have the total expenses, before any division can be made?

A. Yes, sir, that is the difference between your question and Mr. Ladd's.

Mr. HAGERMAN: I would like to make this statement before proceeding with other witnesses:

Under the order of the Court, the testimony heretofore taken in these cases, went into the question of the extra cost of doing the state freight business over the interstate, and while that is all in the record, we have not read it because of the great number of witnesses demanding personal attention.

7280 But preliminary to the statement of Mr. Doddridge, without reading it, we have already called upon this subject.

Mr. W. B. Doddridge, who was formerly General Manager of the Missouri Pacific Railway Company.

Mr. H. G. Clark, Superintendent of the Missouri Pacific Railway Company.

Mr. W. T. Fisher, Supervisor of Weighing & Inspection of the Missouri Pacific Railway Company.

Mr. Buell, Assistance to the General Manager of the St. Louis & San Francisco Railroad Company.

Mr. Bethard, of the Missouri, Kansas & Texas Railway Company.

Mr. Rainey, of the ——.

Mr. Howard Elliott, President of the Northern Pacific Railway Company.

Mr. Gray, Comptroller of the Northern Pacific Railway Company.

Mr. Daniel Willard, Second Vice President of the Chicago, Burlington & Quincy Railroad Company.

Mr. C. S. Sturgis, Auditor of the Chicago, Burlington & Quincy Railroad Company.

Mr. Darius Miller, Vice President of the Chicago, Burlington & Quincy Railroad Company.

7281 All of whose testimony was that the extra cost of doing state business is, upon the revenue basis, practically two to three times as much as the cost of doing the interstate business.

Mr. Gray, of the Northern Pacific, estimated it upon a ton mile basis, and Mr. Elliott said that in actual figures it works out about one-half what it would be upon the revenue basis.

When you say twice upon a revenue basis, that is equivalent to four times upon the ton mile basis.

With that general statement, I will now go only briefly into Mr. Doddridge's testimony, because he was examined and cross-examined for days on the freight matter, and I will direct more particular attention to the passenger element.

Mr. LADD: Do I understand all that testimony is in?

Mr. HAGERMAN: I understand by the Court's order it is all in, but some time we will have to put it formally before the Court.

7282 W. B. DODDRIDGE, a witness of lawful age, being duly produced, sworn and examined on the part of the complainants, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. For a great number of years, you were actively engaged in the railroad business?

A. Yes, sir.

Q. And General Manager of the Missouri Pacific System of railways?

A. Yes, sir.

Q. What other official position have you held in your railroad career?

A. I was General Manager of the St. Louis Southwestern before coming to the Missouri Pacific.

Q. And how long was that?

A. About four years.

Q. That is the road familiarly known as the Cotton Belt?
A. Yes, sir, the Cotton Belt.
Q. And then how long were you with the Missouri Pacific?
A. I was with the Missouri Pacific from 1893 until 1900, seven years.
Q. And what other position of importance in railroad work have you occupied?
A. Prior to coming to the Cotton Belt I was Superintendent of the Missouri Pacific lines at Kansas City for two or three years, and prior to that time I was General Superintendent of the western division of the Union Pacific Railroad, the line in Western Wyoming, Idaho Utah and Montana.

My railroad experience prior to that time was as station
7283 agent, telegraph operator, and so forth.

Q. So the result of your experience in Missouri has been that you have been in active charge of the Missouri Pacific and the Cotton Belt Railroad, so far as the operation of those properties was concerned, and I presume you are familiar with the railroads and the railroad situation in the State of Missouri?
A. Yes, sir.
Q. Have you been making some investigation and giving some study to the proposition of extra cost of conducting state over interstate business?
A. Yes, sir.
Q. You have already testified in the Missouri Pacific case, the part of it which related to the Act of 1905?
A. Yes, sir.
Q. And quite at length?
A. Yes, sir.
Q. What did you say, now, was the fact as to whether there is an extra expense for doing the state freight business over the interstate? Not what it is at present, but as to the extra expense?
A. Yes, sir; there is an extra expense for doing state business over interstate business. Or, putting it in another form, doing the local business as compared to the through business.
Q. Well, now, let us not get confused in terms, because there are both local state and local through trains, and when I am making inquiry, I want you to take into consideration everything, and deal with the result of your experience on the proposition of state freight as against interstate freight, if you can.
A. Yes, sir.
7284 Q. What are some of the reasons and elements why in the state freight business it costs more than the interstate?
A. First, there is a fixed arbitrary train service, a local train service, upon which the great bulk of the state freight is carried. The next element that increases the cost of the state freight is the difference in the length of the haul, the short haul.
Q. That is to say, the state haul is ordinarily shorter than the interstate?
A. It averages very much shorter.
Q. Be a little more particular about wherein there is an extra cost on that account, and how that enters in as an element.

A. Each shipment of state freight has the expense of two terminals within the state; whereas the interstate freight can have but one terminal, and in some cases, has none in the state.

Q. Give the Court an illustration where the interstate freight has one terminal and where it has none.

A. A shipment from Indianapolis, Indiana to Sedalia, Missouri, would have but one terminal expense in the state, and that would be at Sedalia. An interstate shipment passing through the state——

Q. Say from Indianapolis, Indiana to Topeka, Kansas?

A. It would have no terminal cost at all in the state.

Q. Suppose the shipment was going from Sedalia to St. Louis?

A. Then it would have the expense of the terminal at Sedalia, and the expense of the terminal at St. Louis.

Q. Now, is or is not the terminal expense an extensive one?

A. It is as applied to a short haul. As the haul becomes contracted, the percentage of terminal expense as applied to the
7285 haul goes up.

Q. That is to say, the actual expense of the terminal is exactly the same, but if you can distribute it over the mileage, its average becomes less?

A. Yes, sir; that is wherein it creates an extra expense or cost.

Q. So when we speak of interstate business, you speak of the two classes; Class 1, where it starts outside the state and comes in the state, terminating here; or, starts in the state and terminates outside. Or, Class 2, which you call business passing through the state, and no terminal at all in the state?

A. Yes, sir.

Q. What other elements do you call to mind now that enter into this question?

A. In handling the less than carload state freight, there is a very large waste space in the cars. In other words, the cars are lightly loaded. This is particularly true in less than carload shipments. The local trains that handle the state freight, as well as the second class of interstate freight, carry the great bulk of the state freight. This train is lightly loaded. Necessarily so, from the fact of the distributive character of the business handled by that train, for the fact that the train carries a concentrating traffic.

Q. You speak of the state train. Ordinarily, that class of business, being in trains that are ordinarily lightly loaded as compared with interstate, wherein do you figure the extra cost on that account?

7286 A. There is an extra cost because, in the first place, the train does not make the mileage of a through train; I would say not more than 60% of the mileage of the average through train. The wages of the train crews operating that class of trains are higher by at least ten or fifteen per cent, than the crews that operate the through trains.

As a rule, an extra brakeman is employed on the local trains.

The local train runs as far as practicable in daylight only, laying up at night.

This train is scheduled to run every day, whether there is a tonnage load for it or otherwise, except Sundays and holidays.

The train mile cost of operating a local train is, in my judgment, double that of a through train. The cost of operating a local train on an average, in proportion to the amount of ton miles produced, is from five to seven times greater than that of the through trains on the main trunk line.

Where there is a heavy local business there is an increased yard expense at terminals for switching. I do not know exactly what the percentage would be, but it is very large; two or three times, I would say.

There is an increased casualty cost in operating the local trains, on account of the character of the work. The fact that they do the switching at the various local stations in passing over the line. There is an increased percentage of damage to equipment through the breakage of drawbars, draft-rigging and things of that sort, in connection with that work.

There is a greater casualty cost to the men operating the
7287 train, as well as the public on account of the character of the work.

I will say that this train and the freight it carries, the ton miles it produces, quite a large per cent of the freight is of the class called "second class interstate," varying on different roads and under different conditions. But probably 75 to 80% of all the state freight is carried on this class of trains, while the percentage of interstate freight may vary from 50 to 75% of the total train tonnage of that particular train.

Mr. LEHMANN:

Q. Carried on this class of trains?

A. Carried on the local trains.

Q. 50 or 75% of interstate?

A. It may run that high.

Mr. LADD: May I ask a question to understand? Do you mean 50 to 75% of the tonnage of these local trains is interstate?

A. Yes, sir; that is, in the State of Missouri.

Another element that increases the cost of the state freight is the spasmodic character of the business, or, rather, the periodic character of the business. Certain seasons of the year the traffic is heavier.

Mr. LEHMANN: Please repeat that; I did not hear you.

A. I stated that the expense of this local traffic, or state traffic, or traffic carried on this class of trains is increased on account of the varying conditions of the business, the irregularity of the traffic. At certain seasons of the year it is very heavy, and at other seasons it is very light, while the expense is a continuing one.

The COURT: What do you mean by that; one day three cars, and on another day fifteen cars?

7288 A. Not so much by days as by seasons. The spring and fall business would be heavy, and then the intervening period, the business would be comparatively light; but the expense would go right along, so far as this train service is concerned, right through the year.

Mr. HAGERMAN:

Q. Entering into that also is the time the cars are detained, waiting for loads, and things of that kind?

A. Yes, sir. In the use of equipment, the state service calls for many more cars to do a given amount of work as compared with the cars required, in handling the through interstate traffic. To be exact on that point, I will say that the investigation that I have made covering that figure, shows (in the less than carload shipments) it requires from fifteen to twenty cars more than it does to do the through interstate business.

Mr. LEHMANN: I do not quite make anything out of that. Do you mean fifteen to twenty per cent more?

A. No, sir; I am talking about the less than carload state business. It requires the use of from fifteen to twenty cars to produce the same number of ton miles, that one car will produce in the through interstate business.

Q. I understand you.

A. It requires that many more cars. In other words, it requires the use of from fifteen to twenty cars to produce the same number of ton miles in the less than carload state business, than it does to produce the same number of ton miles in the through interstate business, in one car. That is, one car will produce in ton
7289 miles fifteen or twenty to one.

Q. To produce the same number of ton miles in through interstate?

A. Through interstate, yes. I mean through business.

Mr. EVANS:

Q. Interstate business?

A. I mean through interstate business; freight that is carried through the state.

Mr. HAGERMAN:

Q. By through interstate, do you mean something that starts outside the state and goes across the state without stopping?

A. Yes, sir; that is through interstate.

Q. What do you call the other classification, where it starts outside the state and comes in, or vice versa?

A. Where it starts outside the state and comes in, it is interstate traffic, and has destination in the state, as a rule it is distributive business and is local on the division where it is distributed. Although it may be interstate business, when it reaches the division where it is to be distributed, it becomes distributive business.

Q. When it comes to the division where it is distributed, it becomes like what you would call the local?

A. Yes, exactly.

Q. Go on with any other divisions you may have.

A. There is an extra cost in local state business in the matter of the maintenance of the necessary switch tracks, side tracks, team tracks and so forth, located at the various local stations, that are not used by the through business at all——

7290 Mr. HAGERMAN:

Q. Let me see if I catch the meaning of that. You will find switching and sidings at the various stations throughout the State of Missouri, that for the business you consider through interstate, starting outside and crossing the state, there would be no use for at all?

A. No, sir; the through service in that case is carried across the state, as it were, on a bridge.

Q. That would be almost applicable to stations, too, so far as that particular class of business is concerned?

A. Yes, sir. Of course, the elements of cost enter in there.

Q. There might possibly be some element of station expense that would apply to the through, but in a greater or less degree, all those reasons apply to even the station houses?

A. Yes, sir.

Q. Go ahead.

A. There is, of course, provided at the stations, in addition to the station house, other facilities, such as stock pens, and in some parts of the state, cotton platforms, all of which have to be maintained in the doing of the state business. While it is true they are used for a certain percentage of interstate business in common with it, but it is necessary to the local conditions and creates a certain amount of expense.

Of course this local train in doing its station switching creates an item, quite a considerable item of expense in the wear and tear upon the switch tracks, frogs and so forth at the station, that are not ordinarily used or necessary for the through traffic passing over the road.

7291 Another item of additional expense in the operation of the local trains on some of the lines, is where it is used for the carrying of passengers, and thereby becomes what is known in railroad language as a "mixed train." In the State of Arkansas, all local trains are required to carry passengers.

Q. That is, local freight trains?

A. Yes, sir; and some of them do carry passengers in Missouri, but whether that is the law of the state, I am not informed. But where that condition exists, it creates quite a large additional cost.

Q. That pretty generally exists, doesn't it, upon those local trains?

A. It does upon certain of the branch lines where there is no straight passenger service, or where there is only one regular passenger train per day. In that case, to accommodate the public, the local train is permitted to carry passengers, and is run as a mixed train.

Mr. EVANS:

Q. Local freight train?

A. Yes, sir; local freight train. And in that case it is, if the train is properly run, which it probably is in the State of Missouri, if the train has any stops for the stations, the first stop it makes is at the depot platform to let the passengers off. Then it is the custom for the local crew to go on and do their local work, their switching.

Then if they are detained fifteen to twenty minutes, as they frequently are, they have to make a second stop at the depot platform to take on any passengers that may be there and want to use the train.

7292 The effect of that in some parts of the country is very risky to the passengers. It is a more dangerous kind of train for them to ride on. There are no precautions taken by the train crew, usually. While they are doing their work their minds are on something else and the passengers take care of themselves.

And my experience has been that a great many accidents resulting in personal injuries have occurred on that account.

In the operation of the branch line service in this state, I would say there are very few of them that much more than earn their operating expenses, if that. That is on account of the lack of density of traffic. That makes the ratio of operating expenses, as compared with the main or through line, very high on any kind of basis you might figure, whether the ton mile or any other basis. The elements of cost all go up.

Q. Have you any other suggestion to make in reference to the extra cost of state freight?

A. There is in the movement of the state freight, and one of the reasons why there is such a large percentage of use of equipment, is because of the fact there is an absence of return or reciprocal loads for the cars employed in that service.

As a rule, in the distributing service, the equipment that has been used is returned empty, thus creating a larger per cent of empty car mileage in handling that class of business.

Q. Take certain classes of interstate business, with their long hauls from city to city, in those kind of cases, the proportion is generally made by the business of the country for sending the car back loaded in some form?

A. There is generally return freight, or at least there is
7293 return freight for, a large percentage of the cars. There is always, of course, in railroad operation and practice, a certain amount of what is called empty car mileage, and sometimes the empty car mileage moves in one direction and sometimes in the other. But the through business, the East and West bound business of the country, to a certain extent is compensating and balanced by traffic both ways.

I believe I have given about all the reasons for extra cost that occur to me just now, so far as they relate to the freight business.

Q. Now, Mr. Doddridge, is there any known method or any system of accounts which can be kept, by which can be definitely and accurately ascertained the extra cost of doing state over interstate business, or, in the end, must it depend upon the judgment and experience of the men actually operating the road?

Mr. LEHMANN: I submit that is a question for the Court to determine. He has given the facts and given an opinion, but now he is asked to give a rule for the guidance of the Court's action, which I submit is not competent at all.

The COURT: Subject to the objection you may answer.

A. There is no known method of determining with mathematical accuracy the difference in the cost of handling the interstate and state freight.

Some of the elements of the expense can be determined, but in my judgment, not more than one-half; the other half are common to all the service, and must be apportioned and divided upon a somewhat arbitrary basis. That is a question of the judgment of the men that are in charge of these matters in the operation of a railroad.

7294 I will say further that the conditions of service, and the conditions upon which the expenses are created, are a changing quantity. That is to say, that the changes in the conditions of the business, one week or one month, with another week or another month, or one season with another.

Q. Now, these conditions you have described about the extra cost; are they generally applicable to roads say like the Cotton Belt, with which you were connected at one time?

A. Yes, sir; the conditions west of the Mississippi river are similar in many respects, with the possible exception of the main lines in the northern part of the State of Missouri, which cross the state, where you operate between two large cities like Kansas City and St. Louis. But in other respects the local conditions are very similar.

Q. That is, that through service between large cities like Kansas City and St. Louis, or Kansas City and Mississippi river points, or Missouri river points and St. Louis, makes some difference in the situation as compared with roads like the Frisco and the Cotton Belt, which start in the state and go out of the state?

A. Yes, sir.

Q. Taking every-ing into consideration; you have already expressed your opinion about the Missouri Pacific, which is recorded in your testimony. But you are familiar with the general situation of the rest of the roads? What, in your judgment, taking everything into consideration, is the extra cost of doing the state freight business over the interstate, in the State of Missouri?

A. My judgment is, that based upon the ton mile theory

7295 it is about four to one.

Q. And upon the revenue theory?

A. Upon the revenue theory my judgment is it costs twice as much.

Q. At least? Would that be the minimum figure?

A. Yes, sir; at least twice as much.

Q. Now, Mr. Doddridge, because there are several other cases to follow this, and the question I am asking now and all these preliminary questions leading up to it is:

Would you say twice as much on the revenue, or four times as much on the ton mile basis would, in your judgment, represent fairly the minimum figure as to the extra cost?

A. I think it would, and my statement is made with a view to the average conditions in Missouri.

Q. That is what we want.

You speak of the ton mile being twice as much as the revenue basis. Which, if you were apportioning the matter, would you adopt, the revenue or the ton mile?

A. After consideration and after the testimony which was given in this case a year or more ago, I have come to the conclusion that the best method of apportioning the expenses as between the two classes of service, is upon the revenue basis.

Q. What is the difficulty with the ton mile basis, in your judgment?

A. The difficulty with the ton mile basis and its unfairness, lies in the fact that the ton mile represents the tonnage or weight only of the freight transported. It takes no account and does not
7296 give the extra cost of the short haul business credit, but averages the whole into one general level.

Q. What is the ordinary capacity, carrying capacity, of a freight car now, a modern, up-to-date freight car?

A. I should say about thirty tons.

Q. Upon your ton mile theory, if you carried only two tons in a car, would there be any allowance made for handling the twenty-eight tons of space?

A. No, sir; and that is one of the troubles with the method.

Q. You have got a lot of dead weight there, in the way of engines, tenders and fuel which you carry. Is that allowed for in your ton mile theory?

A. No, sir.

Q. The ton mile theory is valuable and is used frequently, isn't it, as a method of comparison?

A. Yes, sir; it is used for the purpose of testing, perhaps, the efficiency of operation of a railroad. It deals only with the revenue part of the business, the freight. Of course the freight carried creates or produces a certain kind of product, and when it is measured, where there is no necessity for making a distinction between one kind of freight, and another kind of freight, the ton mile does very well.

Q. To have any sort of comparison upon the ton mile basis, you would have to have it upon the same road, wouldn't you?

A. Yes.

Q. So the conditions would be the same?

A. Yes, sir; so the conditions and circumstances would be
7297 the same.

Q. You could not have any sort of reliable comparison by comparing the ton miles upon the Frisco with the ton miles upon the Missouri Pacific, for instance?

A. No, sir; because the condition might be entirely different and dissimilar.

Q. Have you any other reasons you have to advance why you prefer not to adopt the ton mile because of its uncertainty in ascertaining the cost?

A. If you adopt the ton mile basis you would have to adopt an arbitrary per cent of extra cost and add it to the other part of the cost which you wish to ascertain, if you wish to ascertain exact results. I might say that upon the basis of revenue, we have a representative figure. Revenue is created through the rate that is applied to the carriage of the freight. The rate that is applied or adopted is

based upon, first; the cost of the service; and second, the value of the service. The rate measures the length of the haul, and takes that into consideration. It takes into consideration the space occupied by the freight, or its bulk. It takes into consideration the value of the freight itself. The risk of loss and damage and possibly competi-ve conditions are taken into consideration.

Q. Now, does not the ton mile basis assume that the cost of transporting a carload of freight is the same as the cost of transporting less than carload freight, if you measure it by the ton mile?

A. Yes, sir; it would have the average effect.

Q. Do you think that ought to be assumed?

A. No, sir; I do not.

7298 Q. Does not the ton mile basis also assume that the cost of transporting a ton of coal or a similar low class commodity, is the same as transporting a carload of drygoods, or similar high class commodities?

A. It averages and makes uniform one with the other.

Q. Ought or ought not that assumption to be made?

A. That ought not to be made.

Q. Does not the ton mile basis assume that the cost of transporting a ton one thousand miles is one hundred times the cost of transporting a ton ten miles?

A. Yes, sir.

Q. Is that right?

A. No, sir.

Q. Why not?

A. Because it does not give you compensation for your terminal costs.

Q. Does not the ton mile basis assume that the cost of the terminal service for the ton of freight from Kansas City to an interior station, say one hundred miles distant, is ten times the cost of the terminal service for a ton of freight from Kansas City to an interior station ten miles distant?

A. I do not understand just what that question means.

The COURT: Pass it, and come back to it later. He says he does not quite grasp it.

Mr. HAGERMAN:

Q. Doesn't the ton mile basis assume that the cost of transporting a ton of trans-state freight in Missouri, having origin and destination outside of the state and moving fifty miles in Missouri

7299 across the corner of the state, is the same as the cost of transporting a state shipment, having both origin and destination in Missouri, and moving a distance of fifty miles?

(Witness does not answer.)

Q. Are the observations which you made as to there being no accurate, definite or certain method of ascertaining the extra cost of doing the state freight business over the interstate, applicable to an ascertainment of the extra cost of doing the state passenger over the interstate passenger business?

A. Yes, sir; they are.

Q. So that, as in the other case, is largely dependent upon the judgment of the operator?

A. Yes, sir.

Q. What would you say as to its costing more, without now answering how much more, to do the state passenger business than the interstate?

A. I would say it does cost more to do the state business.

Q. Just as you did in the case of the freight situation, describe the passenger situation and some of the elements that enter into that extra cost of doing the state passenger business.

A. The passenger business in Missouri on the Trunk Line railroads, such as the four lines between Kansas City and St. Louis, is carried on through trains with the exception that on each of these roads a local passenger train is operated that stops at all the stations for the purpose of accommodating the state passengers; upon the branch lines and side lines the conditions of services are somewhat different, inasmuch as most of them do not have through
7300 trains.

The interstate and state passengers are carried upon all of these trains.

That is particularly true between Kansas City and St. Louis where there are state passengers carried that are, it may be said, analogous to through passengers, both as far as revenue and cost are concerned.

The state passenger's journeys are made up of short hauls, averaging from twenty-five to thirty miles; whereas, the length of journey of the interstate passenger within the State of Missouri, is, I should say, at a minimum, ninety miles, and from that up to 105 and 110 on some of the roads.

Q. That is more than three times as much?

A. It will average something more than three times, perhaps three and one-quarter times; or, in other words, the roads handle in state passengers an equivalent of three or more to one interstate passenger to produce the same amount of revenue. The state passenger has the expense and the benefit of two terminals.

Q. That is, so far outside of the greater expense of the freight and passenger and the greater investment, possibly. But the reasons that makes the two terminals in the case of the state freight, and makes one in the case of one class of interstate and none in the other, are applicable to the passenger service?

A. Yes, sir; applicable to the passenger service in that respect. Therefore, in handling the state passengers, to earn the same amount of gross earnings we handle three or more passengers to one interstate passenger, to produce the same result in that respect.
7301 We have the extra expense of one terminal as a minimum, and in some cases the through passenger has no terminal in the state at all.

We have the added cost of the additional stops of the local trains to accommodate the state business, which creates a certain amount of extra cost.

And as I stated when testifying upon the subject of freight matters, where the state passengers are carried on a local freight train,

there is quite an appreciable extra casualty cost, as well as extra train cost, in the manipulation of that class of trains to accommodate that part of its business.

Q. Did you make some figures or estimates as to what your idea was as to the extra cost attributable to terminals per passenger?

A. Yes, sir; it costs for each passenger handled at a station in the state of Missouri, from four to five cents.

Q. Now, I believe in the Burlington case you figured it out as to that road, as five cents?

A. Yes, sir. It varies, of course, on the different lines.

Q. And on one other road it was 4.69 cents?

A. Yes, sir; and on one 5.72, and so on.

Q. And not less than four cents, would you say?

A. I would say at a minimum it would be four cents.

Q. And that figure would be the minimum you would fix for any of the Missouri roads?

A. Yes, sir; and that is an expense that is ascertainable.

Q. There are two terminals for each state passenger, and therefore a minimum expense of eight cents on account of those terminals?

A. Yes, sir; there would be.

7302 Q. And for the through interstate passenger who passes through the state without stopping, there would not be any of that?

A. That is correct.

Q. But as to the passenger who started outside of the state and crosses the state line into Missouri, or vice versa; started in Missouri and went outside of the state, there would be one-half of that?

A. Yes, sir; there would be one-half.

Q. Did you figure in a general way to form some kind of an estimate of what that would amount to in percentage, just for that item alone?

A. Well, depending, of course, upon the amount of average earnings from the state passenger, which varies in accordance with the miles and the rate charged, I will say that Missouri Pacific statement shows that they received for carrying the state passengers during the period that is under consideration, 1.87 cents per mile. The extra cost of four cents applied to about fifty-eight cents, which would be the thirty mile haul, and multiply that by 1.87 cents, increases the cost of handling there from eight to nine per cent.

Q. That is on that one item alone?

A. Yes, on that item figured that way.

Q. What estimate did you make as to extra cost, solely on account of extra stops as between state and interstate?

A. Well, in my judgment, the best information I have been able to obtain or secure upon that point is that the average cost of stopping a passenger train is not less than fifty cents, and that is one of those indeterminable things that there is no scientific

7303 way of getting at. I think in many cases the cost of stopping a train to take on a passenger or let one off greatly exceeds fifty cents, and perhaps in some of the cases it would not cost

that much. But I would say the average would be not less than fifty cents.

Q. In these other elements, going to make up the increased cost of doing the state passenger business, is there any way of accurately or approximately ascertaining it, other than by the judgment of men?

A. There is no other way.

Q. Have you any other reasons you can suggest in addition to these you have given? Some considerable of the reasons you have given as to the freight are applicable to the passenger traffic also, are they not?

A. Yes, sir. In fact, as far as the local business is concerned about all of the principles that apply to freight, apply to local passenger business. Of course a local passenger train does not stop along the road to do switching. It does not set out part of its cars or take on cars, but it is a fixed, arbitrary train service that is run specifically to provide local accommodations for the people living along the road.

Q. It has to keep very busy keeping out of the way of the interstate trains, has it not?

A. Yes, sir, it is usually classed as an inferior train. I would not say, the time card. It has the same road rights as any other passenger train.

Q. Is it not a fact that practically the various reasons you have given for the increased cost of freight traffic are applicable
7304 possibly to a lesser degree to the passenger figures, the increased cost?

A. To a lesser degree I should say so, yes.

Q. Now, then, taking this situation as it is, and speaking now for the eighteen roads in the State of Missouri, involved in this controversy, what would you say was a fair estimate upon the revenue basis for all the extra cost of doing the state passenger business over the interstate?

A. In my judgment it will run from 15 to 50%.

Q. Why do you make the range 15 to 50%?

A. Because I do not think that the increased cost of doing the state business on the main trunk lines where the facilities are better, where the density of traffic is much greater, that it should be reasonably expected to be more than 15%.

Q. Then the volume of the different classes of business handled has something to do with that?

A. The Missouri Pacific Railroad carried in Missouri during the period under consideration, about one and one-quarter million local passengers.

Q. You mean state passengers?

A. Yes, sir, state passengers.

The COURT:

Q. In three months?

A. Six months is the period, and they carried less than 200,000 interstate passengers. Therefore, those figures show that all of the trains on that line were used by both classes intermingled, through

trains, night trains, big ten or more car trains and the smaller trains.

7305 Then when you get away from the main lines out to the branches, there the ratio of expense goes right up.

Then there are different engineering characteristics and physical conditons to all of these roads. The St. Louis & San Francisco, for instance, crosses the state, running diagonally across the state from the City of St. Louis, and the relative proportion of passenger traffic is entirely different from what crosses the state east and west.

Q. Take the Frisco and what would you fix as the minimum, it not having a trunk line running between the two large points across the state?

A. To the best of my judgment I would say 25%.

Q. As a minimum?

A. Yes, sir.

Q. And ranging from that to 50%?

A. Yes, sir.

Mr. LEHMANN: I object to that. I do not think that is the proper mode of examination, for the counsel to make the suggestion.

Mr. HAGERMAN:

Q. Take the west roads, the minimum figure. Say the Santa Fe, what would be your judgment there of the minimum figure, first of this rehandling of the traffic?

A. I want to look at those figures on the Santa Fe first. I am somewhat familiar with the main line of the Frisco and some of those branch lines in southwestern Missouri.

A. And the Cotton Belt?

A. Yes, sir; I am familiar with the Cotton Belt and Missouri Pacific lines; of course the other lines I am not so familiar

7306 with. I have not been over all of them.

Q. You are familiar enough to fix a minimum and fix it for all of them at 15 to 50%, I understand you?

A. Yes, from 15 to 50. On main trunk lines I do not believe the extra cost would amount to more than 15.

Q. On the Cotton Belt, what would you figure as the minimum figure?

A. I want to look at the Cotton Belt figures.

Q. You have it there; look at it at noon.

(At this time a recess was taken until two o'clock p. m.)

(After recess, on Tuesday, November 10, 1908, the following proceedings were had:)

Direct examination of Mr. DODDRIDGE continued.

Mr. HAGERMAN:

Q. Mr. Doddridge, I believe you said this morning that, taking all the lines in the state, branch, trunk and everything else, you would fix as a minimum cost of doing the state business, 15% and the maximum 50%, and on the Iron Mountain 25% as the minimum, and 50% as the maximum?

A. Yes, sir.

Q. At the time we adjourned you said you wanted to look at some figures before expressing an opinion as to the Cotton Belt, more definite than those ranging from 15 to 50.

A. I have done that, and I find on the Cotton Belt the
7307 average local haul in the State of Missouri is twelve miles. Therefore, I think the maximum extra expense on the Cotton Belt is not less than 25%.

Q. Where would you fix the maximum on that road?

A. The maximum might go to 50%. I do not know as to that.

Q. How long since you have been on that road, actually operating it?

A. Never since I left the road as General Manager; that has been about eight years—no, excuse me, I left that road in 1893.

Q. That is fifteen years?

A. Yes, and I left the Missouri Pacific, its active operation, eight years ago.

Q. When you were with the Missouri Pacific you were also with the Iron Mountain road, were you, and you are familiar with it, at least?

A. Yes, I had charge of the Iron Mountain as the General Manager.

Q. Taking everything into consideration upon the Iron Mountain with which you are familiar, what would you fix as to that road, as the extra cost of doing state passenger business; if you have a fixed sum in your mind give that, and if not, give the range, the minimum and the maximum.

A. I would place the minimum on the Iron Mountain as 25% in Missouri.

Q. And the maximum what?

A. 25 to 35.

A. The Missouri Pacific with which you were connected
7308 so long taking everything into consideration, all the different lines that they have, and taking it now as a complete thing in the state, what would you say represented the extra cost?

A. From 15 to 25%.

Cross-examination.

Mr. LEHMANN:

Q. Mr. Doddridge, you said, I believe, that the railroad companies of the state base their tariffs or charges upon the cost of the service?

A. I said they ought to be based upon the cost of the service as one of the factors in making a rate, and in connection with the value of the service.

Q. That is the value of the service rendered to the person to whom the service was rendered?

A. Yes, sir.

Q. You say that it ought to be so determined. Do you know whether any of the companies maintain a cost accounting department?

A. I do not think they do.

Q. Who, in fact, fixes the rates for the railroad companies? What official or what department of the service?

A. The rates are fixed by the Traffic Department, the officers of the Traffic Department.

Q. Usually by one man, Mr. Doddridge?

A. No, sir, I think not. I think one man usually directs the policy and his assistants—the rates are made by a numerous lot of assistants reporting to one head, under present railroad organization and that head is usually, on the large systems, a vice-president, an executive officer, who directs the policy.

7309 Q. He is usually the Vice-President, and is styled, Vice-President in charge of traffic, or General Traffic Manager?

A. Yes, sir.

Q. He determines whether there shall be an increase or decrease in the rates, does he not?

A. Yes, sir.

Q. And the other persons in his department work out the principles of the increase or decrease that he determines upon, in the tariff sheets?

A. Yes, sir.

Q. Their work is largely clerical, is it not?

A. Yes, it is largely clerical, I should say.

Q. And they make application of the principle he determines to the different commodities and to the different places, and then they make up their tariff, and the sheets are posted, and the schedules, and so on?

A. Yes, sir.

Q. When an increase or decrease is determined upon, is he furnished with a statement of the increase or decrease in the cost of operation?

A. No, sir, I do not think he is, as a rule.

Q. Is it not a fact that tariffs are arbitrarily made?

A. The custom in the adjustment of the making of tariffs is this: That they are generally made upon commercial conditions,—competitive conditions.

Q. And that is in a peculiar sense true of what might be called the through traffic?

7310 A. Yes, sir.

Q. And for the reason that the competitive conditions are always present in the through traffic, and are more active in operation?

A. No doubt about that.

Q. And the Traffic Manager is influenced, rather, by these conditions which you speak of as commercial conditions than he is by operating conditions?

A. He is influenced by these elements in a greater degree than he is directly by the cost of the service.

Q. Do you know of any company in the State of Missouri, that has attempted to maintain a cost accounting department, so as to determine for the use of the company and its guidance in making

tariffs a schedule of the cost of doing the different kinds of business?

A. No, sir.

Q. And is there, as a rule, any consultation or conference between the Traffic Department and the Operating Department when rates are changed?

A. I do not think in the sense in which you put that question there is. But I want to qualify my answer by saying that upon all of the railroads with which I have been connected, there is usually an executive officer of a high rank, who has charge of all departments, with whom the traffic officer whoever he may be, Vice-President, say, consults as to the policy of making the rates. It is presumed that such official would take into consideration in his own mind to some extent the cost of the service. While I
7311 am free to admit that the ordinary traffic official, having nothing to do with the cost, does not know very much about cost, only in a general way.

Q. Who is that higher executive officer whom you have in mind?

A. Well, on the Missouri Pacific road it would be, I suppose, the Vice-President of the road. That is the senior Vice-President, the man who has general charge of the affairs of the company. On other roads it may be the President or some other officer. In the case of the Missouri Pacific it is not the President, because he lives in New York City, and is not in very close contact with the direct operation of the road. He looks after financial matters more probably than he does the details in regard to the traffic.

Q. The particular official in the case of the Missouri Pacific that you have reference to, the senior Vice-President, is whom?

A. Mr. C. S. Clark, I understand.

Q. And his office is at St. Louis?

A. Yes, sir; his office is at St. Louis.

Q. What is the average state rate as compared with the average interstate rate? That is, is it about twice as much? I do not ask for an exact statement, Mr. Doddridge.

A. As I understand it, from my investigation—do you mean average revenue?

Q. The average tariff rate upon service that would in other respects be the same, but being state service as contradistinguished from interstate service?

A. I can only answer that question, Mr. Lehmann, by stating that my opinion is that the revenue derived from the state business per ton per mile is about double that of the other freight, but
7312 the tariffs themselves I am not familiar with. That is what makes that, what builds it up and what produces it.

Q. You answered what I had in mind, whether I expressed it or not. So I take it, then, that when you come to the ton mile service, the state tariffs will afford twice as high revenue as the interstate?

A. Not on all roads it would not produce that. But I am referring to those I am familiar with. It is about that on those roads. That is true in Arkansas, I know.

Q. And true of the Missouri Pacific?

A. I am not certain about that. I am not really certain enough

to say definitely, but I know it is a larger sum, a substantially larger sum in revenue per ton per mile, but whether double or not, I would not want to commit myself to that statement.

Q. Has that been true during the entire period of your connection with the railroad service in the different companies you have been engaged with?

A. It is true as far as the Iron Mountain is concerned. I am not so sure about the proportions on the Missouri Pacific without looking into the records. That is a matter, however, that is in the report, and shows for itself. I would not want to speak off-hand merely, and say it was two to one or one and a half, or something of that kind, at this moment.

Q. When were you connected first with the railroads in such capacity that you would take note of these things?

Q. I will say I began to make a study of the operating results and the results derived from tariffs and matters of that kind when
7313 I took charge of the Cotton Belt as General Manager; and prior to that time my duties had been maintaining tracks and running trains and the like. I paid no attention to the other things.

Q. Do you mean by "The Cotton Belt" the St. Louis & Southwestern Railway?

A. Yes, at that time it was called the St. Louis, Arkansas & Texas, if I remember.

Q. How far back does that period carry you?

A. To 1888.

Q. 1888, would you say, would be the beginning?

A. Yes, when I began to interest myself in these questions.

Q. Now, in 1888, was there substantially the same difference between interstate tariffs and state tariffs, relative to the ton mile of service that there is now; that is, the same relative proportionate difference?

Q. Yes, I do not think there has been much change in the fundamental conditions.

Q. 1888. That carries us back nineteen years?

A. Yes, sir.

Q. So we may say that for twenty years the average of state rates has been on the ton mile basis, twice as high as the average of the interstate rates?

A. That is true of the roads I have been connected with.

Q. Now, in order to make myself a little more clear, and also to make it a little more clear, perhaps, to yourself, I will say this: The condition of service on the different railroads produces sometimes vastly different conditions in that respect. Now, we
7314 are talking about a railroad that is doing general commercial business, carrying merchandise daily, or its proper proportion of merchandise products and products of the forest and products of the earth.

A. Some railroads have, of course, a special class of traffic, say coal, a low class traffic, which changes those relative conditions, so far as relates to that particular railroad; but it would not apply to all the railroads. Every railroad in that respect differs in its char-

acteristics, in its grade lines, in its tonnage and in its traffic, and the tonnage and the character of the tonnage govern these general average results that are published as operating results.

I will say that ordinarily the local traffic, where the proportion of merchandise handled, and supplies and agricultural implements and all those things are about the average, the average result in short haul business is two to one—double.

Q. Are you familiar with any railroad, or have you been familiar with any railroad which at any time had an average state rate of four times as high as the average interstate rate?

A. Well, I think I have in the West, where some peculiar conditions have obtained where the local rates are very high, relatively speaking, to the through rates.

Q. When you say, "in the West", do you mean the far West?

A. Yes, sir; I mean the far West, where the conditions are entirely different.

Q. There you think you may know of some roads whose state rates are perhaps four times as high as the interstate?

A. I would say perhaps more.

7315 Q. Do you know of any railroad in the State of Missouri whose state rates at any time in its history were four times as high as its interstate rates?

A. No, sir.

Q. Taking it from your observation and experience and information historically, which you may have in regard to the railroad operation in the State of Missouri, do you think the state rates were ever four times as high as the interstate?

A. No, sir; I do not think they ever were; that is, on the ton mile basis.

Mr. HAGERMAN:

Q. I understand all these questions are predicated upon that basis?

Mr. LEHMANN: Entirely.

Q. The competitive conditions were not as constantly present, were not as active in operation with respect to state traffic as to interstate, were they?

A. No, sir, I do not think they were. In fact, I can state positively they were not. But there is a competition to some extent, to a certain degree, in state traffic and state rates controlled by mileage, where that is used as the unit of measurement of rates. For instance, the short line mileage across the State of Missouri upon which the rates are made is 194 miles—

Mr. HAGERMAN:

Q. Between what points would that be?

A. Between Hannibal and Kansas City, not by any single existing line, but in combination with two of the roads. 194 miles is the measure by which the through rates are based, regardless of the

7316 actual mileage of the road. The Missouri Pacific mileage is in round numbers 280 miles.

Q. From where?

A. St. Louis to Kansas City. Therefore, the Missouri Pacific Railroad carries its through business, crossing the State of Missouri, upon the basis of 194 miles, and the other roads base their through tariffs upon that mileage, regardless of what the actual mileage would be.

Q. But there would not be any competition, would there, between the Missouri Pacific and the northern lines, inasmuch as neither initial point was a common point?

A. The competition is in the through rate. That is what we are talking about; across the state.

Q. No, we wandered. I was talking about the state rate.

A. Well, that affects the state rate. For instance, if you had a passenger rate across the state of two cents per mile, you would have to figure it at the short line mileage, and the roads would have to carry the business regardless of their mileage, if they carried any of it between these two natural geographical lines.

Q. I had in mind freight.

A. It applies to both.

Q. How can there be any competition between the Missouri Pacific and the northern line you have referred to, if one hauls from Hannibal to St. Joseph, and the other hauls from St. Louis to Kansas City, having regard now to state freight, not to interstate?

A. You mean direct competition?

Q. Competition, direct or indirect, on state freight.

7317 A. Well, I will say this, that as to the technical details of the tariffs, I do not feel qualified to state specifically the details in regard to that particular thing. That is, in regard to particular tariffs. But my understanding that is that mileage forms the basis of all calculations between the Missouri and the Mississippi Rivers.

That happens in this particular case of the State of Missouri, to affect the local business across the state because of the location of these large commercial centers on each border of the state. The local rate from Kansas City, we will say, we might use for example a carload of wheat going to Chicago, going to one of the primary markets. St. Louis is a primary market and Chicago is a primary market, and the rates by all these lines must be the same, whether it is a long or short road, where the freight travels the entire distance across the state.

Then you have other competition in your state business that is based upon these same principles. The long and the short mileage, for instance, from the city of St. Louis to Carthage, Missouri, there is competition there as between the Frisco and the Missouri Pacific, both roads running to the same point, and one having, my recollection is, of course I am speaking only from memory—but my recollection is that in that case there is fifty-four miles difference in the mileage, and there is competitive business between those two points.

St. Louis is a commercial center, and sells goods out through that country, and both roads would compete for that, regardless of the mileage.

Q. The short line determines the rate?

7318 A. The short line makes the rate and the other roads have to meet it.

Q. If I understand you as to competitive conditions operating through the northern lines between St. Louis and Kansas City, is as to through freight, that which is destined to a primary market. In other words, the freight rate to St. Louis must be so fixed so that St. Louis market can compete with Chicago for business in Kansas City?

A. Under certain differentials.

Q. It must be such that St. Louis can compete with that business?

A. Yes, sir.

Q. That would be applicable only to such freight as originated at Kansas City and was at liberty to go to either primary market—St. Louis or Chicago?

A. Yes, sir.

Q. And how will it affect the freight which originated at Kansas City and can only go to St. Louis?

A. Well, it would affect it in the same way. For instance, there are four direct lines from Kansas City to St. Louis, namely, the Rock Island, Missouri Pacific, Alton and the Burlington. Now, the Rock Island mileage is 20 miles, I believe, longer than any of the others. The Missouri Pacific is five or six miles longer than the Wabash and so on. Therefore, if it was purely a local proposition, and was not affected by the conditions, at certain of these primary markets like St. Louis, Kansas City and Chicago, the local business would still be affected by this short line mileage. That would be the

7319 yard stick that would make the rate.

Q. That is, between the roads that have termini at Kansas City, Chicago and St. Louis?

A. I am speaking of those four roads.

Q. The state business from Kansas City to St. Louis, and from St. Louis to Kansas City, is really, in your judgment, determined upon the same principle, and fixed at essentially the same rate as interstate business which travels between those two points?

A. It is, as far as the long haul between those two points is concerned. Now, what the practice is with reference to the intermediate territory I am not informed, but I know this: That the Constitution of the State of Missouri requires no greater charge for the short haul than for the long haul.

Q. And for the long haul that includes the short haul?

A. I think you are mistaken about that.

Therefore, the effect of this short haul business, if literally applied, would affect the interior, until the distance equalizes itself.

Q. As a matter of fact, you say that the rate between Kansas City and St. Louis and vice versa is the same, whether the traffic is state or interstate, provided it is through from one to the other?

A. So I understand, yes.

Q. And that has been the usage, always, so far as you know?

A. As far as I know it has always been the custom to automatically adjust these rates on a basis of that sort.

Q. In a measure you say that affects traffic between the interior points?

7320 A. It should if the law is strictly obeyed.

Q. It does, you say?

A. I would say it does.

Q. But only to a limited extent, doesn't it?

A. Well, yes, but still it is quite a considerable extent, when you come to take into consideration the volume of traffic that originates around these large centers. Now, for instance, the same condition as to mileage applies to Sedalia as between the M. K. & T. and Missouri Pacific. There is quite a substantial difference there in mileage, the Missouri Pacific is the short line in that case.

And there are a great many other cases of similar character, but as to the detail of those, I am not posted.

You know I do not pretend to be an expert in the matter of detail of existing tariffs, because I only understand the underlying and fundamental principles.

Q. Isn't it true, Mr. Doddridge, that the companies have greater latitude to fix the rates between interior points than between through points?

A. Yes, sir, they have greater room; more elbow room you might call it, for this reason: That each line that competes from a primary market for its business, must comply with and observe the commercial conditions that surround the business in order to attract to itself the natural tonnage that belongs to it. And the natural tonnage, that is the competition between the lines.

Then comes, of course, another class of competition between the cities themselves in attracting the products of the country to their markets.

7321 Q. But taking the interior points, where both termini of shipments lie between the commercial centers, and where both the termini are upon one and the same road, and not reached by any other railroad, companies have a greater latitude and freedom to fix rates than in the other cases, haven't they?

A. Yes, sir, for this reason: Because these competitive conditions in that case do not obtain. They do not come in as a factor to force upon the carrier these other competitive conditions.

Q. And those natural qualities, in your judgment, should determine the rate—that is, you say the cost of the service and the value of the service to the person to whom it is rendered are more effective competition than in the case of interstate business?

A. They are easier applied.

Q. And therefore are made more effective?

A. Yes, sir, made more effective.

Q. So those purely state rates and non-competitive rates are nearer the natural level of what they should be than is true of interstate or competitive rates?

A. They are nearer, and to go a little further and make myself a little more clear with reference to the interior conditions, I will say that the business of a transportation company is to carry the long haul through traffic. It is practically all interstate traffic. And

this state traffic, to consider it properly in all its bearings and all its relations, it seems to me must be taken as a whole. That is to say, the whole country of the United States must be considered as a unit from a transportation standpoint and the surroundings of every transportation line, every road, is a certain local territory, where the business is transacted under entirely different circumstances
7322 and conditions. And this local production in the aggregate, when it is assembled together and accumulated, forms what we call interstate traffic, the long haul traffic and traffic that travels a long distance. While the state lines cover certain industrial territories or conditions, sometimes these industrial conditions will lap over into another state, and the state lines are simply, for the purpose of considering the question of cost and the question of tariff, artificial barriers. And it is a difficult or practically impossible matter to differentiate as between these conditions. For instance, you will sometimes have competitive conditions within the state that are sectional, and entirely so. Where there is but one transportation line, that line then, has sometimes to meet competition.

For instance, to illustrate that, we may take a territory that produces lumber and products of the forest. That may run into two or three states, and then off in the other direction you will have another country that is supplied with timber; and these two sections come in competition with each other in a common market, and there will come in competitive conditions that govern rates, and that govern railroad companies in their policies.

And the same thing applies in other products, like coal.

For instance, this city is a great market for coal, and there is coal up the Missouri river within twenty miles of Kansas City, and out southeast; the coal extends 100 or 150 miles. There is a case of competition in supplying this market with coal. The railroads that carry this coal from the southeast in Missouri must necessarily adjust their rates to meet the competition of these other
7323 coals. You cannot measure it by the mile. If you did, Kansas City would buy all of its coal from the nearest mines until they were exhausted, and then gradually dig away until all the coal within reach was exhausted, and that furthest away would be mined last.

Q. There the market creates the competition?

A. Yes, in that case there is a market competition. I simply illustrate that there may be state competition, local competition, where the interstate feature of it would not.

Mr. EVANS:

Q. That has nothing to do with this case. It seems to me it is taking up a lot of time to hear this, interesting though it may be.

Mr. LEHMANN: I think, gentlemen, if you would try your side of the case, and let me try mine the best I know how——

Q. In that case, it is the market which fixes the rate?

A. Yes, sir.

Q. I want to get at the points which are strictly interior, points say on the Missouri Pacific and reached by no other road. Now as to that, you have greater freedom than you have in any other case, haven't you?

A. With respect to competition, with respect to fixing the rates at whatever would be compensatory, and the value of the service.

Q. There is an endeavor, isn't there, on the part of the companies, to encourage the development of local traffic; and if you did not do that, the general settlement or improvement of the country would go to other lines rather than to your own. You do try to develop the local trade, don't you?

A. That should be the policy, of course, of every railroad,
7324 and it is, I think.

Q. It has been peculiarly the policy of the Alton Company, hasn't it?

A. Yes, sir.

Q. It was a very successful company?

A. Yes, sir.

Q. Now, Mr. Doddridge, do you know of any case in the State of Missouri, either from your experience or from any information you have, between two points on the same line of road in the state, where there was no competition of market or of short line, where the local rate was ever as much as four times the interstate rate for the similar mileage and service?

A. I don't remember any such case of that sort.

Q. In your judgment, the average cost of doing the state service is four times as great as the cost of doing the interstate service?

A. Per ton per mile?

Q. Yes, per ton per mile.

A. Yes, that is my judgment, that the short haul local business, which includes the state business, is four times. I would say that as a minimum. In other words, on the basis of the accounts I have looked into, that that amounts in the aggregate to about double.

Mr. HAGERMAN:

Q. Double on the revenue basis?

A. Double on the revenue basis.

Mr. LEHMANN:

Q. The ton basis and the revenue basis come to the same thing. In other words, the average revenue for the state service is twice per ton per mile more than for interstate service. And it is
7325 your opinion that it costs twice as much to earn a dollar in state service, even with that higher rate of charge, than it costs to earn a dollar in the interstate service.

So in the one case, on the revenue basis, you take twice the percentage of the revenue received, and in the other case you have the ton mile average, and multiply it by four. One you multiply by two, and the other by four?

A. Yes, sir, that is my opinion.

Q. Was there ever a time in the history of the state when the local service was rendered upon a paying basis?

A. I don't think it was.

Q. It never was?

A. I don't think it ever has been.

Q. On any road in the state?

A. I would hardly say that. I would not want to make it that broad. But I would say, as a general average, I do not believe the state rates have ever been sufficiently high to be compensatory in the sense that it is being presented in this case.

That is to say, I do not believe those rates have ever been profitable. The main reason is the low density of that particular class of traffic. I do not mean to say but that if there was sufficient density of traffic, but what the rates themselves would pay in the end, provided the business was built up.

Q. Am I to infer then, that in your judgment, during the entire period of your railroad knowledge in the State of Missouri, that the railroads, situated as they were, could better have afforded to dispense with all this local state traffic than to have done it? Better dispense with it than to have done the business?

7326 A. No, sir, I am not willing to say that because and for the reason that the local business is very intimately connected with the through interstate business. In fact, the local business, considering the country as a unit, creates the interstate business. The local business in itself, stripped of all the other surroundings and all other business, I do not believe has ever been at rates high enough, considering its density, to be profitable.

Q. Now, then, it has still paid the company to do the business, hasn't it?

A. Indirectly, yes.

Q. In what manner indirectly?

A. In the general development of the country, and in the fact it contributed and contributes to this very through business we are talking about, this interstate business. It contributes to the support of centers and industries that taken in the aggregate and as a whole, have made the transportation business profitable in itself.

Q. In other words, you would not have any through business if you did not have the local?

A. Yes, if you did not have the local you would have no through In fact, the two, in my opinion, are inseparable and indivisible.

Q. And you would be disposed to treat them as a unit?

A. My idea is that the whole United States from a transportation standpoint, should be looked at, dealt with and treated as a general unit.

Q. In what sense do you mean the business has never been profitable?

A. I mean in itself, as surrounded by the barriers of the
7327 state lines. And the earnings derived from the small percentage of state business, as compared with the other business, and the expense of double termini, the investment in facilities necessary to do the business, and the circumstances and the conditions under which the business is actually done, creates the expenses.

In other words, to go a little further, the railroads in the last nine or ten years have expended millions of dollars in reducing their grade lines; in buying large cars; more powerful locomotives. These engines are not used ordinarily in state business.

The effect of that, making toward the general reduction in the cost of transportation, where you have a large tonnage that moves in large units, that widens the average difference per ton per mile of the two classes of business. It makes one cheaper and the other higher, relatively.

Q. If I understand you, then, you say these expenditures made for the improvement of the property are in the reduction of grades, the straightening out of curves and enabling heavier equipment to run over the road, and are done primarily for the sake of the through traffic?

A. For the long haul, the heavy traffic.

Q. Then why would you charge in your apportionment of expenses anything more to the local traffic than the ton mile proportion of it, when the expense is incurred primarily for the through traffic?

A. For this reason: These investments in large engines and large cars benefited this through heavy traffic; it made for that point all the time. Whereas, the local traffic moved in small trains and small units, and was not benefited. The expense of handling that
7328 class of freight, while I will say it was benefited to some extent, was not benefited radically, in the same proportion.

Q. Why then, would you charge that local state traffic, with a greater proportion than the benefit it received, which would be on the volume of business done by it?

A. It is because relatively it costs more, it is a higher cost of doing the work.

Q. The higher cost of doing the local state service can only come from matters which are related to that service; then why charge that service with the expense of things which are not done on its account, and particularly why charge it with a greater proportion of expense than the ton mile proportion?

A. Because in the first place the ton mile is a unit of measurement between the two classes of traffic, and is simply an average unit.

In other words, you would give the state business or local business the benefit of these improvements that have been made in the matter of the reduction of grades, and in the matter of larger engines, and so on. The conditions of service as between the two classes of business, the circumstances and conditions, are entirely different. And the circumstances under which the business is handled are entirely different.

In your through freight that train goes over the road without any delay more than necessary; it runs day and night; there is no loss of time, no loss of train service or loss of car service. There is no loss on anything. It is purely a transportation service like crossing a bridge. Whereas the other service is handled largely or
7329 mainly by trains that go from one station to another, and do the local work at each point; the switching and so on. Their work, the nature of it, makes it necessary to perform it in the daylight, and not at night. Therefore, that train lays by at night. When it comes Sunday, the conditions of the service do not demand

that the freight be transported during that day, so it lays from Saturday until Monday.

All these things and all these items constitute elements of extra cost that do not enter into the transportation question as applied to the other class of business, considered, however, from a strictly scientific basis.

Q. I understand your position to be that the cost of transportation, that is, of moving the train, is greater if the train does not move so rapidly, makes more stops, requires more men to operate it, moves only in the daytime and not at night, and does not move on Sunday.

But that does not explain the reason for charging the local traffic with an extra proportion of the expense of betterments, made primarily for the benefit of the through traffic?

A. The expense of the betterments that are made to the property of the railroad as a whole, and of the large engines and cars, are capitalized matters, and have nothing to do with the operating expenses. They do not go into the operating expenses at all; they are part of the capitalized account of the railroad as a whole.

Now, you take the local service, the local business, and you attribute to it a percentage or a proportion of the capitalized account of the company on the basis of gross earnings, in proportion to the
7330 amount of service performed by the railroads as an instrument of transportation of the two classes of business, and you must attribute something for the local business, that is, in the way of capital account, and the question is, how much? Now, my own theory is that the earnings of the road from the different classes of business, the gross earnings, represent or should represent the work performed by the road for the public.

Now, if that is true, then what better method of apportionment of these items can you find than that figure reduced as a basis of percentages?

Q. Now, we want to determine how you get that percentage.

Take the concrete case. Take for instance, the taxes imposed upon a railroad company in the state. That is one of the expenses which must be met before there is a return on capital. It might be called an operating expense—well, it is an expense, whatever you call it, and it must be paid. How would you apportion that as between state and interstate traffic? Wouldn't you apportion that on a ton mile basis?

A. No, sir; I would not use a ton mile basis at all, for the reason the ton mile basis measures only one of the factors, and that is the weight. It ignores a half dozen other factors that I can think of. One is the bulk, the value of the commodity transported, the value of the article transported, the length of the haul, whether it be long or short. The ton mile theory of averages ignores all the elements of extra cost.

Q. Assume in the case of a railroad in the State of Missouri, that its state business was one-tenth of its total, and the tariff rate
7331 on the state business being twice as high as the interstate, the revenues from that were one-fifth of its total revenue.

Its interstate business was nine-tenths of its total business, and its interstate revenues were four-fifths of its total revenue.

Assume that, as you have stated, it costs twice as much to earn a dollar in the state service as in the interstate, how would you apportion the taxes in that case?

A. I do not know whether I could figure out that hypothetical case.

Q. Would you apportion the taxes as you would the general ex-expenses?

A. I would apportion the taxes on the general average, the percentage of expenses that I charged to my state traffic. I would apportion every item on that basis, because it is an arbitrary basis at best. It is not a scientific method of accounting, I will admit, but it is simply a direct business way of getting at the results in a simple form, that everybody who deals with it may understand.

And the reason, as I stated before, is that the gross earnings derived from the different classification of traffic within the imaginary or artificial barrier of the state lines, must be divided by some arbitrary method and by some simple rule, and this rule or this method strikes me as being the best, for the reason that it represents the service or the work performed by the railroads.

A. As I understand your testimony it is that, taking the companies on an average here, it costs them double the amount to earn a dollar in state revenue, that it costs them to earn it in interstate
7332 revenue.

So in the case I put, where the state revenue was one-tenth of the whole, and the cost of earning that revenue would be two-fifths of the whole cost, because the rate would be one-fifth, you would charge then the property on account of the local or state business, with two-fifths of the taxes in the state.

A. Yes, if that figures out in the proportion you have stated it.

Mr. HAGERMAN: The way we have presented the account here, in figuring the extra cost, we have eliminated the taxes and confined the extra cost to the expense proper.

Mr. LEHMANN: But I am not eliminating the taxes.

Mr. HAGERMAN: I thought you had overlooked it.

Mr. LEHMANN: I have not overlooked it. I wanted to get the view of the witness, what to do with the taxes. I understand that in the case I put, the volume of the state business being one-tenth, the revenue being one-fifth, the cost of doing the state business being two-fifths, he would apportion two-fifths of the state taxes to that business.

Now, Mr. Doddridge, assuming that the company is bonded for a reasonable and proper amount, that is to say, there is no water at all in the bonds, and that the bonded debt is one proper to be taken into account to its full extent: Under the same conditions, how much of the interest charges on that bonded debt, would you lay on the state business, the conditions being the same as I have stated? Would you lay two fifths of it upon it?

A. I would lay the relative proportion, if your calculation
7333 there is correct, two-fifths, then I say, yes.

Mr. HAGERMAN: That would be the percentage.

Mr. LEHMANN: If I have stated my problem wrong; I am responsible for that.

A. I presume that is right.

Q. I have tried to do so. I have tried to state it in a way to simply present a concrete formula, which would enable us to get a little more explicit answer.

Mr. HAGERMAN: I think you have overlooked a great many elements in your question, and don't think it will work out as you put it.

Mr. LEHMANN:

Q. Why would you charge the state traffic in the case put, with two-fifths of the interest on the bonded debt, when the use which was made of the property in the state traffic was only one-tenth in volume or amount of the use made of it by the interstate traffic.

A. The value of the service of the road being represented by the earnings produced from one class of business with relation to the earnings produced from another class of business, I do not know of any reason why in a division of all the items that percentage should not follow clear through.

Now if you are doing one class of the business on
7334 this railroad under entirely different circumstances and conditions from another class of business and you ascertain what the expense of doing these two classes of business is (attributable to each) on the percentage of gross earnings, I don't know of any reason why those same percentages should not apply all the way through, because the bonded interest is incidental to the operation of the road.

The dividends that are paid thereafter are incidental to the operation of the road. And you have got to divide it upon some arbitrary method or theory. You are confronted with the fact that half of the expenses all the way through are common to all the business of the road—everything.

Q. How much do you say are common?

A. One half.

Q. Wouldn't you say rather more?

A. Possibly more. Half I would say, one-half of the expenses,—fully one-half that cannot be identified. That is to say, that cannot be charged directly to a particular kind of service and say it has nothing whatever to do with any other kind of service.

Now if you undertake to divide one-half of the elements on an arbitrary basis, let it be ton miles or train miles—the train mile theory is defective; the car mile theory is defective; and
7335 partly because of the changing conditions of operation.

Of course I could go into that and explain the reason why defective, but it is sufficient to say they are defective. Every system that has ever been presented or suggested is defective.

So you have your common expenses, say one-half of them, which are indivisible, and there are changes of conditions from one month to another month or from one week to another week, or one day with another and it would change the relative proportions of the common expenses and it would be a matter of impossibility to make

a scientific division except upon some established basis, some basis that must be assumed to be the nearest right. The question is, what is it?

Q. A large part of the expense of Maintenance of Way and Structure, which I suppose includes station houses and bridges and so on——

A. Yes, I believe it does.

Q. Is due to the action of the elements, isn't it? That is to say your way and your structures would fall into disrepair even if no engines ever ran over the track?

A. By erosion and decay, yes.

Q. The rain will wash them away?

A. That is erosion.

Q. The various actions of the elements?

A. Yes, sir.

Q. Your tracks will rust, will they not?

A. Yes.

Q. And your bridges if all wood, will decay?

A. Yes, sir.

7336 Q. That is a considerable item, isn't it?

A. Oh, yes, that is, of course, a very large item. It would be if the road was not used.

Q. In other words the wear and tear of the rail way and structures resulting from purely elemental action. Now would you distribute that also on the same basis that you have suggested as to taxes and the interest on the bonded debt?

A. Yes, I would in this section of the country, Missouri and Arkansas. I would distribute that on the same basis and for this reason:

That the local business uses a large amount of facilities that are not necessary or are not used by the through business, causing a large expense in that direction. Now that, under the present system of accounting, as I understand it, is all averaged in with the balance.

Q. Please state what facilities of a railroad company of any kind whatsoever are used for state business and not used for interstate business?

A. There are occasionally stone quarries, tracks, facilities of that character, that are simply used exclusively in the transaction of state business.

Q. Stone quarries?

A. Yes, and a little coal.

Q. How does the railroad use those for its state transportation and not for its interstate?

A. It is where the market for these things may be exclusively a local market. There are such cases. You asked if I could cite any case.

7337 Q. A railroad does not use a stone quarry in conducting its transportation?

A. No, but it uses the facilities furnished for operating the quarry. Like the tracks. You asked me if I could point out anything used exclusively for state traffic and not intermingled in any way in interstate business.

Of course there are very few facilities which, what we called this morning local interstate business do not use in common with the state traffic. That is true. In fact the local train carries more interstate traffic on an average ordinarily than it does exclusively state traffic. And the expense of that character of freight is correspondingly raised and higher than the other class of interstate traffic we have been discussing.

Q. The quarry you have been speaking of has a side track leading into it. That track would not be used for state and not interstate traffic unless the quarry has no market outside the state?

A. There are such cases.

Q. Don't you think the number of that kind of side tracks would be absolutely negligible in a consideration of the question we have before us?

A. Yes, sir; I don't think it would amount to anything.

A. So, practically speaking, there are no facilities provided for use in state transportation which are not employed also in interstate transportation—practically speaking.

A. Practically speaking, that is correct.

Q. You have spoken in your direct examination of state
7338 and interstate and of local and through traffic. This does not mean four distinct classes of traffic, does it? That is to say, state traffic may be through traffic. Local traffic may be interstate traffic?

A. That is correct; yes.

Q. In other words, there are not four distinct separate classes?

A. No, sir.

Q. They intertwine?

A. Yes, they intertwine. There are two classes of interstate traffic and there is really but one class of state traffic. That is state traffic——

Q. Aren't there two classes of each, come to reflect. Interstate traffic may be local or may be through. And state traffic may be local or may be through?

A. State traffic may be carried on through trains, sometimes. In the State of Missouri state traffic which really should be classified as through traffic, technically it is state traffic.

Q. You mentioned a while ago that state lines really had no logical relation to the railroad business?

A. To the traffic, no, sir.

Q. More properly speaking to the conduct of the transportation of the traffic?

A. That is right.

Q. And that the material things were the commercial centers; two commercial centers may be in the same state or may be in dif-
7339 ferent states. In this state, we have two great centers in the state?

A. Yes, sir; we have two great centers.

Q. And we have others of lesser importance?

A. Yes, sir.

Q. Sedalia is of considerable importance?

A. Yes, sir.

Q. And places like Springfield, Carthage, St. Joe and I believe you mentioned others where competitive conditions existed?

A. Yes, sir.

Q. State traffic, distinctly state, which originates at Kansas City or St. Louis and destined to the other place, is essentially through traffic, isn't it?

A. Well, yes, I should say as a general proposition that is essentially through traffic. Of course that might be qualified somewhat. For instance, you could hardly say that the local passenger traffic between Kansas City and St. Louis was not through traffic, except as far as crossing the State of Missouri was concerned. It may go no further.

Q. It is true as a matter of fact that in the passenger service between St. Louis and Kansas City trains start in one place and stop at the other?

A. Yes, sir.

Q. Isn't that true of all of the companies that have lines between the two points?

A. Not as to all of the trains. I think a great many of them run part of these trains through.

Q. They occasionally have through cars?

A. There are through sleepers and things of that kind.

7340 Q. But I am speaking of a train as a train?

A. Yes, sir; the train as a train. It is the end of a division at both ends.

Q. That is essentially through traffic, isn't it?

A. Well, it is practically through traffic. I will say practically.

Q. Can you say how it would cost the Alton Railroad any more to carry me from St. Louis to Kansas City than it would cost the Alton Railroad to carry a man who had started from New York and came here over the Alton Road?

A. In that particular case I do not think there would be any difference in the cost.

Q. Doesn't that kind of travel make up the bulk of the travel between St. Louis and Kansas City?

A. Well, between St. Louis and Kansas City——

Q. Either way.

A. Yes, I should say that was the bulk of the travel between those two points. But it is not necessarily the bulk of the travel on the train that these same passengers ride on. There may be many passengers on those trains that do not go that far. That get off at Warrensburg or Sedalia or Jefferson City. Short points.

Q. But there are people that get on there and go on.

A. Yes.

Q. I presume the same conditions—in fact I know they exist on the Alton and the Wabash Railroad.

Q. A number of the trains—I won't say most of them because I don't know, but a number of the trains between St. Louis

7341 and Kansas City are fast trains in comparison with those passenger trains running between those points, having a fast passenger schedule?

A. Yes.

Q. And they stop at fewer points?

A. Yes, sir.

Q. Would you say that the passenger who gets on, we will say at Jefferson City, where the Missouri Pacific stops, ought to be charged with a higher rate per mile, he going to Kansas City, than the passenger who gets on at St. Louis to go to Kansas City?

A. Yes, he should be charged a higher rate because he passes through the terminal at Jefferson City at a certain amount of expense. Of course it is very small.

Q. Isn't it so small that the railroads themselves treat it as negligible in all of their practical dealings with it. For example, don't they sell mileage books at so much per mile without any charge based upon the extent of a particular road that a man might take?

A. Yes, sir; that is true.

Q. That mileage book is good and he rides between one station and another and if it is only five miles you only take out five miles from the book?

A. Yes, sir; ten cents, if it is two cents a mile.

Q. You do not take out anything extra for the terminal charge?

A. No, sir. Practically you are caring for the terminal charge in that case.

Q. In that case, where a man gets on and takes just that short ride?

7342 A. Yes, sir.

Q. But the mileage book business of a railroad is a considerable element of passenger business, isn't it?

A. Yes, sir.

Q. A man can ride on that book whether it is five miles or fifty, without any of that terminal charge?

A. Yes, sir.

Q. But the train starts from St. Louis to Kansas City and it is scheduled before beginning, and has been for months, to stop at certain points?

A. Yes, sir.

Q. And it makes that run whether it has one passenger or one hundred?

A. Yes, sir.

Q. And it makes those stops either because somebody wants to get off at the designated point, or on the chance of someone wanting to get on?

A. Yes, sir.

Q. And it does that regularly?

A. Yes, sir.

Q. What it has cost to carry a particular passenger on that train, running a particular journey, you cannot tell until after the trip has been made, because if you have only one passenger on the train, it cost the whole expense of that train and if you have one hundred pansengers it cost for each passenger the expenses of that train divided by one hundred—assuming now they all went the same distance?

A. That is correct.

7343 Q. As you run your railroads upon that footing, what reasons have you for charging any passenger upon that train with any greater proportion of the expense incident to the running of that train than the benefit which that passenger derived from his ride on the train. Why isn't the benefit to the passenger the proper basis of apportionment?

A. Because it would be utterly impracticable to apportion the expense of a railroad upon that basis. You must necessarily take all of the traffic of the railroad into consideration. You must ascertain what the average cost of all of the service which you have to apply to meet the requirements of the business of the railroad or of the public throughout the country.

To illustrate what I mean (you were speaking of the Missouri Pacific and I am speaking of it in the same way) run a train from Jefferson City to Bagnell, a distance of thirty-five to forty miles. That train runs every day. That branch does not begin to earn enough money to pay, yet it is run all the year around.

Then there are other branch lines run upon the same condition. upon which service must be furnished. Between St. Louis and Kansas City you have a main line with a large city at each end and the traffic on which justifies four or five services a day for all roads, and business for all of them.

There is the mail to be carried. There is the express to be carried. The mail pays perhaps more than a division of the expenses of running the train on an earnings basis might justify, because it is a high priced commodity. The government pays a high price for it. But it is all averaged into the general cost of the service for the

7344 benefit of the public.

Sometimes one of these passenger trains you speak of will leave St. Louis, a big train with ten cars and nobody on board. The company is certainly running that train at a loss, if you consider only the revenue derived from its passenger service. In conducting transportation of a railroad, it becomes necessary to do these things and give certain service.

Take your mileage book, the mileage book was sold originally to merchants that had men constantly traveling, traveling every day of the year right along. It was a concession made to them, a sort of wholesale rate. Whereas the ordinary citizen may not travel, say a farmer, may not travel more than once a year, yet the train runs every day.

Q. It does not cost any more to carry him that one time?

A. Not on that basis.

Q. It does not cost any more to carry him that one time, wherever he is going, say to his county seat, than to carry the commercial traveler from one place to another?

A. Not on that day or on that train.

Q. Why then charge up to the business represented by the farmer more of the expense of running that train than you charge up to the business represented by the commercial traveler? Why not apportion it on the basis of the benefit received and to the use made of the facilities?

A. Because that is not the only element to be considered. If you would do that you would put it on the exact basis of the cost of service, but it does not make the rate on that basis.

7345 A railroad in the nature of things must necessarily take into consideration the value of the service in addition to the cost of the service. The value is another element.

Q. The value of the service I presume to be the same. By value we mean benefit to the individual. We cannot differentiate by saying one man makes $50.00 and the other man makes $100.00. That benefit is equal. The cost in that case is equal. Now, why, when considering the rates as between those two men, why assume that the one would be charged with a larger proportion of the cost of running that train than the other?

A. That is to say, why should you give the man a two thousand mile mileage book and not to the farmer or the other fellow?

Q. Yes.

A. I stated a pretty good business reason why you do that.

Q. You apply the wholesale and retail principle?

A. Yes, sir; the wholesale and retail principle is applied, and the fact that the man carrying a mileage book is traveling all the time and the transportation interest as a general interest must look at the general results of the operation of its business and then it must strike an average.

For instance, suppose—I happen to remember a case illustrative of the same principle, but it is somewhat different. An excursion train was run from Kansas City to Sedalia on a Sunday. The distance to Sedalia is ninety miles. The fare at two cents a mile would be $1.80. Now, this excursion train was run on Sunday, was properly advertised, and it carried I will say in round numbers

7346 one thousand people, excursionists, to Sedalia and back, the round trip, for $1.25. Now that train earned in gross $1,250.00. If the regular rate had been charged for the round trip, two cents per mile, the fare would have been $3.60 for each passenger.

Q. That would be how much approximately?

A. That would produce $3,600.00. Now then, in the first place, you consider these one thousand people that traveled as a unit: They would not have gone if they had not had that extremely low rate. The railroad company made money by running that train and carrying those people, besides extending to the public a very nice trip to Sedalia, the privilege of the rate. And it increased its gross earnings thereby $1250.00, which it could not have made at the regular rate of $1.80 each way for the trip, individually.

Now there is a reason why you make an extremely low rate in a case of this kind and why it pays and why it relatively does not have anything to do with the individual traveler.

Q. On what basis would you apportion expenses of that kind of travel, again on the basis of twice the revenue received?

A. Yes, sir; because it would get into the gross earnings and build them up.

Q. That sort of business which you say is profitable business is all state business?

A. Yes, state transaction.
Q. Entirely?
A. Yes, sir.
Q. Isn't that business done cheaper, relatively to the
7347 revenue you receive, than any other kind of business?
A. That particular kind of business, but that is a specialty.
Q. And there is a good deal of that done, isn't there?
A. Yes, sir.
Q. That is done at a less ratio of cost to revenue than your through business?
A. Yes, sir; on account of the larger number of people carried in a group.
Q. And generally cheap equipment is used, cheaper than—cheaper equipment that would otherwise be standing idle?
A. That might be so, but that illustrates the reasons why that kind of a rate has no relative relation to the other rate. The circumstances and conditions govern the reason or furnish the reason. They are entirely different.
Then there are other reasons. For instance, you go outside the State and I will give you another illustration and a very striking one.
During the past season of last year, and for several years past, the Union Pacific has been selling a round trip ticket from St. Louis to Portland, and down to San Francisco and Los Angeles and back, good for three months, at a rate that does not produce more than 1 cent a mile in round numbers, generally speaking. I think that is about it. That railroad is running through trains from St. Louis clear to Portland and down to Los Angeles and back. The trains are not full. This ticket is not transferable. A good many people in the middle West would like to go to the Pacific Coast in the
Summer time to see the country. The Union Pacific makes
7348 this extremely low rate for the purpose of attracting them to
go on that trip. The effect is to increase the gross earnings of the railroad, because their trains are going anyway, they have the room in the cars, and, as a commercial proposition, they offer that rate.
And yet if you want to go from St. Louis to San Francisco they charge you as much as the price of that round trip for that one way ticket, and maybe something more.
Q. You are taking special conditions.
A. There is a dissimilarity of circumstances and conditions that justifies that kind of a rate, and it is no undue discrimination against some other rate. That is the point. There is the same underlying principle governing your mileage book. There are the same reasons that govern the selling of mileage books at cheap prices, where the transportation and the business and the surrounding commercial conditions do not constitute dissimilarity of the conditions under which the service is rendered. It would not be a good reason, in my judgment to extend the same rate under all conditions.
Q. What are the expenses common to all traffic?
A. Well, they are very numerous. For instance, the general expenses of a railroad are common.
Q. What would you include under the head of "general expenses"?

A. That is the salaries of the general officers; the clerks in the general offices; expenses I should say of all departments of the general offices. That constitutes the traffic business, the accounting department, and all that. Those expenses are fixed expenses. That is to say, they do not fluctuate in relation to the business
7349 except in very narrow limits. If the work of the railroad fell off the accounting department might drop off a few clerks. But generally they remain fixed.

When you get onto the railroad itself you have the organization. Take one of these trunk lines between St. Louis and Kansas City and they have a regular organization for operating the road. And regardless of any changes in the business, any fluctuations in the business, those expenses are a fixture and are common to all the business. There is no way of dividing them except on an arbitrary basis.

Q. And you could not dispense with them even though one particular element of your business dropped out. Those general expenses exist.

A. They will continue.

Q. Under that head you would include the salaries and expenses of the general officers?

A. Yes.

Q. The salaries and expenses of the clerks and attendants?

A. Yes, sir.

Q. I think general expenses covers all those general subdivisions.

Mr. HAGERMAN: I think that is all in the record.

Mr. LEHMANN: I wanted to see if Mr. Doddridge approved of these general offices and these expenses?

A. Yes, sir.

Q. "Law expenses," I am reading from Interstate Commerce Commission classification. I want to know if you approve?

A. If in my opinion they are common to all traffic?
7350 Q. Yes.

A. You asked me if the law expenses are common. I would say yes so far as all ordinary law business of the road goes. A railroad might have some kind of a specific or special legal business that ought to be charged to capital account or something of that kind. Some extraordinary things, you know.

Q. You have in mind nothing that relates to the operation of the road in the conduct of the business?

A. No, sir; legal expenses attributable to that are common to all.

Q. Insurance, of course, would be?

A. Would it? I don't know.

Q. Wouldn't you think so?

A. I don't know if it would in all cases. There are certain classes of insurance carried by some roads that might not be common.

Q. What are those?

A. I remember when I was operating the Cotton Belt I insured my cotton and made a special insurance of it. In that case that would be attributable to that particular class of business.

Q. I agree with you, but insurance on the property itself would be common?

A. Yes, sir; insurance on the building.

Q. Is there a usage of insuring freight in transit?

A. Not unless some special commodity like cotton—at least I never did.

7351 Q. And that is more likely to be interstate?

A. Yes, sir; very likely, but we insure it at stations while waiting for shipment and so on.

Q. "Relief Department Expenses"? I suppose that is your hospital service?

A. The hospital service as a rule is supported by the employees.

Q. I assume that is so. I do not think the hospital service is entirely supported by employees. You would hold that to be common?

A. It would be common in a way.

Q. And pensions, if there were any?

A. I never had any experience with any.

Q. "Stationery and Printing"?

A. Yes, I guess that is a common expense.

Q. "General Administration of Joint Tracks around the Terminals"?

A. Yes, sir.

Q. Would you apportion these general expenses to which I have called your attention upon the footing you suggested as to taxes and interest on the bonded indebtedness?

A. Yes, sir.

Q. Why?

A. Well, simply because there is no way of apportioning them. There is no better method that suggests itself to me. There is no more scientific way of doing it. I think you might take your experts and pick out the expenses of a railroad and apportion them more scientifically than on the basis of earnings, for one particular month or any period of time, say three or six months. But to establish a basis which was practicable to be used month by month,

7352 day by day, by all the accountants and all the people who deal with these things and have it remain correct for any length of time would be an impossibility, on account of the changes in conditions.

Q. How or in what way does the purely state business require more of these expenses to be incurred in proportion to the volume of that state business than does the interstate business.

In other words, if the volume of state business is one-tenth, and nine-tenths is interstate, why should the state business be charged with more than one-tenth of the expenses. How does it require more than one-tenth of the expenses to be incurred?

A. Why, it requires a greater proportion of the expenses, because the cost of producing the gross earnings attributable to that part of the business is greater. It costs more to do the work.

Q. Does it cost more of the general expenses? Does it cost more for example of the President's salary?

A. No, sir; but the President's salary or that portion of the Presi-

dent's salary that is attributable to that class of service is in proportion to the work done, to the product from that work. We do not pretend, you know, but what we are doing is on an arbitrary basis.

Q. I am trying to get at the basis that is not arbitrary and that has some reason to support it.

A. You cannot divide it except on an arbitrary basis. There is no method I know of. There has been no method suggested, except it be the opinion of somebody, the judgment of somebody.

Q. If you cannot find out and if there is no reason for
7353 saying that the state business requires any more of the President's salary than the proportion of volume of business, why not apportion the President's salary according to the volume of business, instead of charging four times as much to the state business as you charge to the interstate business?

A. Well, we are doing it in proportion to the volume, Mr. Lehmann.

Q. Four times as much?

A. No, sir; we are doing it in proportion to the earnings.

Q. Then you take twice the earnings?

A. Four times as much. Now we are going back to the ton mile basis.

Q. That is what I meant when I said volume, as distinguished from revenue.

A. You are going into the weight of the business.

Mr. HAGERMAN: He does not take tons but ton miles. The percentage of tonnage will not be far from the revenue.

A. He said four times. Now we stated that it cost twice as much.

Mr. LEHMANN:

Q. No, four times as much on the ton mile?

A. Twice as much on the revenue basis.

Q. And four times as much on the ton mile basis and twice as much on the revenue basis.

A. Our revenue from our interstate freight, based on present rates is so many dollars, and our revenue from our state freight or state revenue is so many dollars. We double that and get a figure
7354 and then we take the actual interstate revenue and from the two we arrive at percentages upon which we arbitrarily divide all of the expenses straight through.

Now the reason for that—that is your question—that brings me back to the question: the reason for that is, that these common expenses cannot be divided except upon the basis of percentages that are developed through somebody's opinion or judgment.

Now you might say if one-tenth of the business and you double that one-tenth and make it two-tenths and take two-tenths of the President's salary and apportion it.

Q. Now we have two kinds of business, state and interstate?

A. Yes.

Q. We say that state business is more expensive to handle than interstate. It is more expensive according to the amount of it, that is to the volume of the business. It is also more expensive we say in proportion to what we get for it. Now, we are not authorized to

say that it is more expensive in every respect unless we can point out, somewhere, where there is manifestly a greater expense. You have pointed out some of these places in your direct examination for example, you pointed out the fact that they had an extra brakeman on trains that handled less. That they did not run as fast. That they paid higher wages on those trains. I am going now from those things you pointed out. You make a definite statement there and say it is more expensive.

You say you also charge up on the basis of greater expense, the President's salary.

I want to know how it comes to pass that you do it in that
7355 case.

I can understand your statement about the extra brakeman on these trains. But why does it cost a larger proportion of the President's salary? And if it does not cost actually a larger proportion of the President's salary, and you cannot point out wherein it takes more of the President's salary, in proportion, why not just distribute the President's salary on the basis of the amount of business done? Why be arbitrary?

A. Well, the answer to that question that occurs to me is this:

I don't know of any means of ascertaining the volume of the interstate freight business for the purposes of making a division of the expenses, except you would do it upon the ton mile basis. Now the ton mile basis, as I have testified, is deficient. The ton mile basis does not take into consideration, or into account, the elements of extra cost, but averages that business, which is handled under different circumstances and conditions with another class of business that is handled under an entirely different set of circumstances and conditions. Therefore, if the apportionment is not made on that basis, then it must be upon some other arbitrary basis.

Now, we have said, and given it as our opinion, that the most representative figure or percentage is a figure that represents the work performed by the road, and that is the earnings that are produced by this class of business.

Now, then, while I admit that that is not a scientific method of accounting, from a business stand point it appears to be the nearest to anything that has been presented.

7356 Q. Mr. Doddridge, while recognizing that the ton mile basis is not accurate, because there is a difference in the cost, for if you take the ton mile, if you use the ton mile basis you have got to consider those elements of difference and add to the average ton mile basis what the difference and conditions require; isn't exactly the same thing true when you take the revenue basis, because you say the revenue does not adequately represent. You add to the revenue basis, do you not?

In other words, you double. Seems to me we come out at the same hole; that is to say, if you take the ton mile basis you multiply by four, and when you take the revenue basis you multiply by two and, the revenue being twice as much in one case as the other, you have got your two times two?

A. We come to the same conclusion.

Q. You come to the same thing. Now, how did you reach the conclusion that you require four times the proportion of expense on the ton mile basis and two times the expense on the revenue basis, unless you can take certain elements which enter into the service and say, this is four times as expensive and that is twice as expensive, and that is eight times as expensive and taking it altogether it averages about four times as expensive on the ton mile basis, or twice as expensive on the revenue basis, and why should you accept anything arbitrary with respect to any common expense, which is not made the greater by reason of the character of
7357 the business?

A. Well, the reason is this:

We can demonstate with mathematical accuracy the extra cost of the train service and the station service of the state freight over and above the through freight, where through freight is handled.

The transportation expenses of a railroad is about fifty per cent of all. Now, practically all of the expenses in addition to transportation expenses—transportation expenses include station service, yard service, switching and all these things. It is not practicable nor possible to divide those other expenses mathematically, with mathematical accuracy, decision, because they are common. Now, where they are common who is going to say what proportion should be attributed to this or the other?

Mr. LEHMANN: With the Court finally.

The WITNESS: Well, yes.

Q. We are trying to get now the actualities of the thing. Now if you charge the expense, total of expense, on the basis of four times the ton mileage and your common expenses, which you say cannot be apportioned on any rational basis by half of the expense, of the total expense, then doesn't it mean, in your view, that the transportation expenses of the state business is eight times that of the interstate?

A. No; no, it don't figure out that.

Q. You wouldn't say the transportation expense was eight times that of the interstate business?

A. No; my investigation of that has led me to believe that
7358 transportation costs are, as has been stated, four times on the ton mile basis. That is my opinion.

Q. That is, transportation expenses in your opinion?

A. Transportation expense that it is; on the basis of earnings that it is twice as much and that these transportation expenses represent in the aggregate about half of all the expenses of the road. Now that is as far as I can determine; that is as far as we can go. We cannot attribute and specialize these expenses any farther. Now, what are you going to do with the balance of our expenses?

Q. Now wait a minute: the transportation expense is one where the difference between the state and interstate is obvious to your mind, is it? Now, there is the thing that you can put your finger on?

A. We can identify that.

Q. You can put your finger on that?

A. Yes, sir.

Q. And the difference in expense is more marked and there is a greater disparity in the transportation expense than in any other item of expense, is there not?

A. Yes, sir.

Q. Now then, you say that the difference in the transportation expense is about four times what cost, of the state cost?

A. Four times per ton per mile.

Q. Then why should not the difference in the total expense be distinctly less than four times the ton mileage expense if the
7359 biggest item of expense is only four times that? Why is not the total——

Mr. HAGERMAN (interrupting): He didn't say the "biggest"; he said the——

Mr. LEHMANN (interrupting): And he said also the greater disparity, so that I thought——

The WITNESS (interrupting): Well, I said—what I meant to say, if I didn't say it, was, that those are expenses that can be identified, that can be attributed by a process of figuring and investigation mathematically accurate.

Q. And in addition to that, Mr. Doddridge, isn't the difference really greater there, in your judgment, than anywhere else?

A. Yes, I should think it was.

Q. Yes: manifestly be greater than the difference in the expense of maintenance of way?

A. Then these other items, those other expenses, it is a question then of judgment as to how you are going to divide these common elements.

Q. Well now, you ought to try to divide them fairly; that is to say, you ought not to be arbitrary and, at least, not all on one side of that problem. Now, as I understand you, the transportation expenses, which you say as you estimate them will take up about one-half of the expense, that difference you can put your finger on, that difference is greater, more marked and greater than anywhere else and that you find it to be about four times the ton mileage basis?

A. Yes.

7360 Q. Now, must not your total be less than four times when your highest rate of difference is only four times?

A. Well, if you take the common expenses and lower the basis on which they are apportioned then they would be lower, of course. But the question is, whether, when you come to divide these expenses for maintenance of way, general expenses and other items whether—while it has been demonstrated that fifty per cent of your expenses are four times as great, why shouldn't that ratio or division or apportionment follow clear through?

Q. Because you haven't got the extra brakemen on the train, Mr. Doddridge, because you haven't got any extra person in the president's office on account of your state traffic, that is my reason, doesn't that commend itself to you as good reason?

A. Well, I don't know that I am ready to put it on that kind of a footing, basis.

Q. Mr. Doddridge, suppose we hadn't any law, that is, no legis-

lative rates, either state or interstate, no commission, and you, just left to yourself as a railroad manager to fix rates as they ought to be done, would you make the state rates four times as high as the interstate rates?

A. No, sir; I would not.

Q. Why not?

A. Because I wouldn't consider it good policy for the general welfare of the property that I might represent. I stated in my evidence that there wasn't any way in the world that I could conceive of whereby the intertwining influence or relations between these
7361 two classes of business can be separated and divorced from each other, except upon some arbitrary basis and I think that in dealing with local rates in the state that the interstate conditions must be recognized and must be considered for the general good of not only the properties themselves, but the public as well.

Q. If the state service costs four times as much as interstate there would be no injustice in making the state rate four times as high as the interstate, would there, if it cost four times as much?

A. It depends entirely upon the purpose that the corporation or company would have in establishing its rate. If the purpose was simply to make money, on that particular case, indirectly and in the long run it might cause the reverse to happen, might cause it to lose money. The state freights are carried by railroad companies, have been in the past, in my own experience, the local freights, at less than cost of transportation; at less, very much less in the state of Arkansas. I know that from my own——

Mr. LEHMANN (interrupting): Let us keep in Missouri as far as we can, Mr. Doddridge.

The WITNESS: I am talking about the Cotton Belt Railway; I never had charge of making rates in Missouri, local rates on the Missouri Pacific, that was out of my department. But I did have questions of policy to decide in the case of the other road, so I know and have reasoned out the underlying conditions, fundamental conditions. I believe that if the local rates in the state of Missouri
7362 are placed on a basis where they are actually profitable to the companies in themselves, without reference to any other condition or circumstance or business, that the rates would be prohibitive so far as the industries of the state are concerned.

Q. In other words, "Kill the goose that laid the golden egg"?

A. Yes, sir; that is the way to put it.

Q. In other words, the compensatory rate for state traffic then is, in your judgment, impossible should it be taken subject——

A. (Interrupting): I qualify it, you know, with the condition that, taken by itself; take the business done, the density of the business consideration, the volume of the business and all of the surrounding conditions, competitive, commercial and otherwise, if the rates were put up where they paid in themselves a profit to the carrier, why, they would be too high.

Q. You mean by that, if the railroads had nothing but the state business to do?

A. Well, you eliminate every other consideration, the conditions that go to, that actuate railroad companies in what they do from the businessman's standpoint.

Q. You mean to say if they had nothing but the state business to do they couldn't live?

A. Couldn't make any money on that business.

Q. If they had no through business?

A. No; if they had no other business than State business.

Q. Oh! I quite agree.

7363 A. That is it exactly.

Q. You know they have got other business; but assume now that you charge—you have got the other business and you are doing it, you keep on doing it, but you charge the local business, or the state business I mean, with its proper proportion of expense, so that both interstate rates and state rates will bear the same relation to the cost of the service; in that case you say the state rates would be so high as to be prohibitive?

A. Well, we were talking about *we were talking about* the cost of transportation, cost of doing the business and we were talking about making the rate high enough to pay that cost and the usual profits. On that proportion of the business, the valuation of the property and taxes and all these other things.

Q. Yes.

A. Now when you do that, if you do do that, after you ascertain what it takes, why, then the state rates would be so high as to throttle the industrial development of the state. The state could not prosper and the people could not stand it. The truth of the matter is, these rates have been adjusted and been made and they bear an intimate relative position to the through business; that is, a relation exists, an intimate relation, and you cannot divide it; you cannot separate it; one is in a large measure inter-dependent upon the other. Well, I don't believe I will say any more on that line.

7364 Q. Mr. Doddridge you knew something about the Alton railroad under its old management, which it was under for so many years, Mr. Blackstone and Mr. Mitchell?

A. Yes; I remember them very well.

Q. You remember about that; take it at that time, didn't that road do a larger proportion of local business, that is, larger proportion in reference to its interstate business, than any other company about here?

A. I think it did, Mr. Lehmann. I am not, of course——

Q. (Interrupting): I am asking you for your judgment.

A. Generally, yes; I would say yes.

A. It was spoken of generally as a local road, looked upon as a local road?

A. Yes.

Q. And it looked after its local interests more than any other road in this geographical neighborhood?

A. Yes, sir.

Q. And they looked out for the towns along the Alton and the people along the Alton in a very distinctive way and the road was really built up on local traffic more than any other road, wasn't it?

A. Yes, sir.

Q. And wasn't it the most profitable railroad in this section of the country under that management?

A. Yes, it was. But I don't think it was altogether the local business, I mean in itself. The country through which the Alton road was built had a good deal to do with it. It was a densely pop-
7365 ulated country; it had, the conditions were present there, you know, to justify that sort of management, business management.

Q. The population along the Alton was not more dense than that along the Wabash from Kansas City to St. Louis, was it?

A. No, I don't think so; no, not on this end of the road.

Q. And it wasn't more dense than the population along the Burlington from Kansas City through the state?

A. But after it got into Illinois I guess it was in a very rich country.

Q. So was the Burlington in a rich country in Illinois, was it not, likewise the Wabash?

A. Yes; well, they have become great roads, haven't they?

Q. Yes; and the Alton always was; yet were not the Alton stocks the highest?

A. I don't know; I never traded in those stocks.

Q. Nor I, wasn't able to.

A. I wasn't able to either.

Q. Now, as I understand you, it becomes necessary for the railroads in Missouri to do the state business at less than the cost incident to it in order that it may be done at all and in order to build up or keep up your interstate business?

A. I think that is correct.

Q. Well now, don't you think there is something wrong with your formula then if your interstate business cannot be kept up without keeping up the state business and you cannot keep up the
7366 state business without charging the interstate business with more than it ought to be?

A. Well, we don't think that the apportionment on the basis of earnings does charge either class of the business with more than it ought to pay. Now I spoke in my testimony considering the United States as a unit in respect to this general traffic.

Mr. LEHMANN: I will agree with you on that; some of the other fellows may not.

The WITNESS: You can divide the United States up into a set of squares and then place your railroads, your trunk line railroads across this country from east to west, from north to south and the great traffic of the country, the great volume of business that moves, moves long distances from these great markets and every one of these squares become local zones, distributing territory or collecting territory, and the business of the transportation company I would say on, say every one hundred miles, is of that character, that is distributive and collective business, and that business is really your state business. Of course, the state might take, one square, might take two of these squares or a square and a half. It is their con-

dition of business to gather, to collect, to assemble, to get all this stuff together and then you get it into a great stream and carry it on to its market, and it seems to me—now then as to the differences in the cost of the transportation of the two kinds of business that there is: there is a difference, a large difference, because of
7367 the different characteristics of the business, different circumstances and conditions under which it is handled. Now, to divide up the property that is used, to maintain it, to pay interest on it, you can go to work and charge all the expenses you can identify to each class of business and then take the rest and it seems to me that if you take the gross earnings as the representative figure, representing the work that has been performed, that that will come as near accurate results as any formula or method that can be adopted.

Q. Mr. Doddridge, so far as I follow your general line of testimony you don't discriminate. That is, when it comes down to the expenses of operation you don't discriminate so much between state and interstate as you do between local and through?

The terms—that is what it really means. I say you are taking it as a practical railroad man and if the state laws were out of the question it would be local and through with you more than state and interstate?

A. State lines wouldn't have anything to do with it.

Q. That is as I understand you. But we are forced to consider it now from the standpoint of state and interstate, rather than from local and through. Now, the local business that you handle in Missouri is most of it interstate business, is it not?

A. Well, yes, a large per cent of it.

Mr. HAGERMAN: That is stuff you mean handled on local trains?

7368 Mr. LEHMANN: That is what I mean, yes, exactly what I mean. I don't want to make a wrong conclusion about it.

Mr. HAGERMAN: No; I know they make a distinction about it.

Mr. LEHMANN:

Q. Well, a large proportion, at any rate; we will not commit ourselves to what it is. I had it in mind that more than half of the local business was interstate; but we won't commit ourselves on that.

—. ——

Q. A large proportion of the local business is interstate is it not?

A. Yes.

Q. I think since this litigation came up that you made a personal investigation of some trains in actual operation?

A. Not in Missouri. We did in Missouri at the time of the hearing.

Q. Well, I say, sometime ago. Here is the statement of tonnage of state and interstate freight.

Counsel here hands to the witness the statement referred to, which the witness examines.

A. That was a test made between St. Louis and Kansas City.

Q. Made by you individually?

A. Well, no, sir; made by other employees of the company, but under my general direction.

Q. Well, this indicates that the largest per cent of this—yes, distinctly the largest percentage, more than fifty per cent was?

Mr. HAGERMAN: That is not an exhibit of Mr. Doddridge's, one he produced himself?

7369 Mr. LEHMANN: It is an exhibit filed, Mr. Hagerman.

Mr. HAGERMAN: That is all right.

Q. More than one-half of this business was interstate according to this (referring to the exhibit last above referred to)?

A. Yes.

Q. How much more on the revenue basis did it cost to do that local state business than it did to do that inter-state business?

A. The fifty per cent of interstate business that is carried on those local trains costs the same per ton per mile to handle it as did the state business that was carried on the same trains, less the expense of one terminus.

Q. That would bring it down to much less than four times, wouldn't it?

A. Yes, sir; as to that particular train.

Q. And also of any other trains of the defendant, that was typical?

A. Oh no; of the local trains.

Q. That was taken as a typical train?

A. Well, there was a number of trains taken on that statement; I don't know who reported the number of trains.

Q. And was intended to be representative?

A. It was intended to represent the conditions?

Q. Yes?

A. That is right; it was representative.

Q. Not purely accidental?

7370 A. No, *so;* and, in fact the truth of the matter is, Judge, I am very free to say that more than fifty per cent of the freight carried on local trains is interstate freight, more than fifty per cent.

Mr. HAGERMAN: That is on the Missouri Pacific, you mean?

The WITNESS: Well, and I had occasion later——

Mr. HAGERMAN (Interrupting): Some of these roads don't cross the state with their own trains, some of the A. B. roads.

The WITNESS: Yes, some of the other roads, but I had occasion lately to make some inquiry along that line.

Mr. LEHMANN: Now, taking that——

Mr. HAGERMAN (Interrupting): What were you going to say there?

The WITNESS: I was going to give you a little bit more information along the same line, but you didn't ask me and it is all right.

Mr. LEHMANN: That is all right, go ahead.

The WITNESS: The facts are, as far as I have gone into the subject: about eighty per cent of all of the local freight or state freight is carried on local trains; that is, about eighty per cent; and while it is true there is fifty or sixty or maybe seventy per cent of interstate freight on that same train, that train, when you count up the total tonnage, is a very light train and this extra cost of interstate freight carried on that train, when that is averaged with the through

freight carried on through trains, of course, pulls up the average of the total interstate carried.

7371 Q. Now, I would like to get your estimate on the relation between these two classes of local freight, state and interstate, how much more does it cost, either per ton mile or on the revenue basis, to do this local state business than it does to do the local interstate business, does it cost four times as much?

A. To do the local interstate business costs very nearly as much as the state business. The only element of expense that is not there that is in the state business is in the extra expense of one terminal. Now, in all other expenses——

Q. (Interrupting:) Now how would you fix that expense?

A. The percentage of interstate freight.

Q. The percentage of increase of cost of local state freight over local interstate freight, due to the fact that there is an additional terminal, which you say is the only element of difference, what is that?

A. Well, I don't know as I could say off hand, except to say that it would cost, that extra terminal might cost ten cents a ton; but that bears relationship again to the length of the haul.

Q. Well, take the revenue then, take the revenue footing, what is the proportion?

A. I am not competent hardly to answer that, Mr. Lehman, offhand.

Q. Mr. Doddridge, isn't every haul properly chargeable with the terminal expense?

A. No, I don't think it is.

7372 Q. Why not?

A. It is chargeable with the terminal expenses, but it has the two terminals sometimes, two in one state.

Q. Now what is the difference if you haul, say from Chicago to Kansas City, one of your terminals is in Missouri and the other one is in Illinois?

A. Yes.

Q. Now when you come to credit the Missouri haul with its earnings how do you credit that, on the proportion of the mileage in Missouri?

A. I don't know how they do it. That is a technical, purely technical question.

Q. I am getting at how do you credit when you are making your estimates of difference in cost of transportation of different kinds?

Mr. HAGERMAN: In your estimate?

Mr. LEHMANN: In your estimate.

A. Where do I charge this Kansas City terminal?

Q. Now you have made your estimate on the revenue basis and you have said that the state business costs twice as much on the revenue basis as the interstate business; now, in order to get the state's proportion of interstate revenue, taking the haul from Chicago to Kansas City, how do you apportion the entire rate, how much do you allow to Missouri? Is that on the mileage basis?

A. My information is that it is based on the mileage basis, yes, sir.

7373 Q. How do you do it? Do you take the amount of revenues they furnish you?

A. Whatever they give me.

Q. That is done on the mileage basis?

A. I understand so, yes, sir.

Q. Now suppose the traffic goes from Chicago through Missouri, we will say to Denver, there is one terminal at Chicago and the other terminal at Denver?

A. Yes.

Q. How do you apportion the revenue derived from that haul for the purposes of this estimate?

A. That would be apportioned according to the mileage in the state of Missouri; that is my information.

Q. And you wouldn't charge that with the terminal expense at all?

A. In Missouri, no.

Q. And that, therefore, would be pretty nearly clear profit; that is, there being no terminal charges?

A. It would be a straightaway haul.

Q. You would have your regular rate per mile?

A. Yes, sir.

Q. For the through rate and you would have no terminal charge; that would be the "cream" of the business?

A. That is the way it would be divided, pro rata.

Q. Now take it in actual practice: suppose you have got your two terminals in great cities and there are three roads' line- between those two great terminals and those roads, for the purposes of

7374 this question, are substantially equal in length, in actual railroad operation and practice do they distribute that on the mileage basis, giving no credit to the initial lines for terminal services?

A. In some cases I have known where they made a charge; that is, took out the terminal cost first.

Q. And then apportioned, didn't they?

A. What remains; but that is not always the custom.

Q. No; but isn't it the custom as a rule?

A. Well, I don't really know.

Q. Haven't you had from time immemorial a three cent per hundred lighter charge on all shipments to New York?

A. Yes; and guess there has always been a five cents charge to San Francisco, used to be. But those questions, that is, those matters, they relate to the technicalities of the traffic business. I am not informed there. I only know the general conditions.

Q. Now taking it now from the operating stand point, and not from the traffic stand point, Mr. Doddridge, in the case that I have put: here are two great terminals and there are three lines, three railroads making up the line between those two great terminals?

A. Yes

Q. And a shipment from one to the other, the railroads being of substantially the same length, each one third; the middle section

or the middle railroad making up that line doesn't earn one-third of the charge for that haul, does it?

7375 A. No, sir.

Q. And ought not to get one-third of it when you come to a fair basis?

A. If all the conditions and circumstances are equal, that is right.

Q. Well, I am talking now that here we have got, I put no conditions except the two great terminals: three railroads, all practically of equal length, making up the line between; and the middle section doesn't perform one-third of the service and, on the basis of justice, is not entitled to one-third of the revenue received?

A. Measured by the mile.

Q. Yes. And you, as a railroad man, if you were fixing rates and fixing them justly between them, you would credit each one of the terminals something for the distinctive service that they render; that is, the distinctive service between terminal service, would you not, if you were fixing rates and were free to do it as you thought was just?

A. Well, if I were fixing that on the basis of cost I would.

Q. Well, on the basis of cost, that is a just basis, is it not?

A. Well, the basis of cost is the main factor in making that rate, it is the first factor, or should be. Now, the other elements are factors that surround the main question, and, of course, come in; they are all subordinate to that and secondary.

Q. I am getting now at the basis, getting at your judgment

7376 about it?

A. As to the equity of the allowed terminal charge of that kind at each end I should say yes.

Q. Because that terminal service is of benefit to the entire haul?

A. Well, yes; it is an advantage.

Q. It is essential to the entire haul then, on the entire haul?

A. Yes.

Q. And, therefore, is a charge to be distributed over the entire haul exactly as you would distribute office or general expenses?

A. Yes.

Q. Now then, is it not unfair, in your judgment as an expert, in making the computation here for the purpose of determining what the interstate earnings are, and in the apportionment of expenses incurred in making the earnings, isn't it unfair in the case of through traffic to exclude from consideration altogether the charge of one of the terminals, because it is in another state? I am asking your opinion as an expert on that now?

A. Well now, to answer that question properly you must, in apportioning these expenses, take into consideration the customs of bookkeeping, habits that prevail, you know, through the country. Now as to the equity of rendering these terminal charges from one state to another on the same revenue and figuring up the costs, I

7377 don't know that that has ever been done by railroads.

Q. Mr. Doddridge you are here and capable of giving your opinion of what ought to be done; I rather have your opinion, Mr. Doddridge, of what ought to be done in this matter rather than custom and usage; that is what I am inquiring for in this question?

A. Of course, I think that the terminal expenses, especially these terminals of great expense, extensive terminals, where the terminal charge and expense is very high, that there certainly ought to be some method of distributing that expense equitably throughout the work done, the work performed; but as to how high or how it should be done, why, of course, it is a matter that I haven't dealt with.

Q. But you think it ought to be done when you come to make fair proportions?

A. Yes, sir.

Q. And render to each branch of the service its due credit?

A. Yes.

Q. Mr. Doddridge, you spoke of terminals being very expensive and, of course, we all realize that; I have in mind such terminals as St. Louis and Kansas City and Chicago, New York, Philadelphia, is the cost of terminal service at a place like that greater, in proportion to the business handled, than it is at the small stations, so you think?

A. No, I don't think it is. That is, it depends on what kind of improvement you apply to it.

Mr. LEHMANN: I would like to get your opinion about that, Mr. Doddridge?

7378 Mr. HAGERMAN: Now you are talking about actual service taking investment and all?

Mr. LEHMANN: Taking investment and all.

Mr. HAGERMAN: I don't want you to mislead the witness about it.

Mr. LEHMANN: I am not. I was going right now to suggest that I want you to take into account, Mr. Doddridge, that of course these terminals, these expenses I have indicated are expensive—I suppose you have your own judgment as to how expensive—then taking everything that enters into the cost of service, which is maintenance of properties and interest upon their valuation and everything, and what I have in mind is this: the amount of business handled at these large terminals, of course, is enormously large and in the total properly takes a very much higher charge; that is, in the total; now, in view of the enormously greater volume of business are those terminals more expensive than the small ones? You get my idea about that?

A. Yes, I think I understand and I think that they are, when you come to take into consideration the——

Mr. LEHMANN (interrupting): Consider everything.

A. (Continuing:) The values, if you take simply the operation of the terminals then I would say no. I would say the probabilities are they would average about the same, between the small place as the big place; the low volume of business would bring your value down to about the same level.

7379 Q. That is what I was getting at and wanted your idea of, whether there is a substantial difference in the terminal charge because the terminal is large, or rather, terminal cost rather than terminal charge?

A. Take for example—I don't know what the figures would

represent, but I should say that, we will take the passenger business in the passenger stations of St. Louis or Kansas City:

I don't believe the cost per passenger using those stations is as great in cents per unit as it would be at some small place out on the line, although you have got great facilities, a very expensive building and all that, but with the average enormous number of people.

Now it is the same principle that applies to the freight business: unless you get a terminal, you know, where the values would run way up into the millions and we don't know how that would affect it. I cannot say offhand without investigating the question. But I don't think the operating cost, the actual handling cost, is any more per car.

Q. Do you think it is less?

A. Well, it may be less; I don't know.

Q. Well, now, you are familiar, of course——

A. (Interrupting.) With these terminals? Yes, sir.

Q. With the St. Louis terminals?

A. The St. Louis terminals, yes, sir.

Q. And those of the St. Louis Association and those of the Missouri Pacific and you are familiar, I take it, with the Kansas City terminals?

7380 A. To some extent, yes, sir.

Q. Well now, going back over your experience with the Missouri Pacific, would you say, for example, that the terminal cost on a shipment from St. Louis to Kansas City would be greater, and taking everything into account, than the terminal cost on a shipment from Jefferson City to Sedalia?

A. I would say the cost wouldn't be any greater from St. Louis than from any of the other line stations on their line, excepting the capitalization cost. The value of the terminals there, the interest charge, might affect that; but the actual service charge I don't believe would be affected. I believe the cost would be the same. Now, I know that in Chicago, under the same conditions, where that subject was investigated, that was the result of it. I happen to know that from some old cases.

Q. That is, they reached the conclusion that between the small terminals the cost was just as much as between large terminals, unless there was a difference because of the capitalization?

A. Capitalization; and the other expenses we wouldn't know.

Mr. HAGERMAN: He says he isn't experienced, don't know as to that.

The WITNESS: Yes; it would be in that way.

Q. You neither say yea nor nay as to that part of it?

A. Yes.

Q. I understand.

A. Now, I don't know whether it is proper to refer to it, but there was a case where that was investigated by the Wisconsin commission, that question was presented.

7381 At this point it is suggested by Mr. Hagerman that an adjournment be taken until tomorrow, November 11th, 1908, at the hour of ten o'clock A. M.

The COURT: Before adjourning the Court desires to make three statements, two of which the lady stenographer will please enter of record:

First. Yesterday, in response to an inquiry of Attorney General Hadley's, the Court said that these entire eighteen cases would be tried before any one case was decided, that they would all be decided at one and the same time. In substance that is what the Court said.

The Court now withdraws that statement, of which counsel on both sides will take notice; the Court reserving the right to try one or more cases and decide one or more cases before trying all of the eighteen cases. And when said one or more cases are decided by the Court counsel will be advised of the conclusion, which will be entered of record in a formal decree.

Second. In the orders of October 5th, among other things, it was recited, that these cases would be tried in their numerical order. When those orders were made I did not know which case stood first, nor the order of any other case afterwards in this list. I did not know until yesterday morning that the case of the St. Louis & San Francisco Railroad Company stood first, nor did it matter.

7382 But the Court now advises counsel on both sides that unless they see fit to take up these roads and classify them, as they have often talked about, the Court reserves the right to secure such information as he can get outside, from such sources as are obtainable, and try three or four of these cases that I believe would be a fair classification, rather than try them in their numerical order.

Perhaps after that statement counsel will go to work and make their own classification.

I now adjourn the further hearing of evidence in this cause until tomorrow morning, November 11th, 1908, at the hour of ten o'clock A. M., at Room 210 of the Baltimore Hotel, corner of Eleventh Street and Baltimore Avenue, in Kansas City, Missouri.

7383 KANSAS CITY, MISSOURI,
WEDNESDAY, *November* 11, 1908.

Met pursuant to adjournment as above at Room 120 Baltimore Hotel, Kansas City, Missouri, present, parties as before, when the following proceedings were had:

(Cross-examination of Mr. DODDRIDGE continued by Mr. LEHMANN.)

Cross-examination by Mr. LEHMANN:

Q. Mr. Doddridge, in the case of through interstate freight which in the course of its progress passes through several terminals, there is a terminal expense at each one of the terminal points?

A. There is a regular division expense at each terminal point?

Q. There is a distinctly terminal expense. I do not mean terminal charge, but expense incident to that terminal?

A. Yes, sir.

Q. Take for example freight that is going through a Chicago

terminal. There is considerable expense incident to just getting through there, isn't there?

A. Yes, sir.

Q. And there is a great delay also, isn't there?

A. In Chicago, you refer to?

Q. Yes.

A. There is a delay, of course, in making a delivery from one line to another.

Q. The average time at Chicago, for example, between the bringing in of a car by the bringing in line to the receiving line to take it on beyond is seventy-six hours, isn't it?

A. I am not sufficiently familiar with the conditions in
7384 Chicago to say exactly what the delay would be.

Q. Are you familiar with a report that was made by a commission of railroad men who examined into the terminal situation there?

A. No, sir.

Q. About three years ago, I think it was.

A. No, sir.

Q. Similar conditions exist at St. Louis, don't they?

A. To a certain extent, yes.

Q. What is the average time between the bringing in of a car from the east and the getting of that car by the receiving line which is to take it on further west—that is more than thirty hours, isn't it?

The COURT: Where?

Mr. LEHMANN: St. Louis.

A. I cannot say definitely as to that point without investigating, but I should judge it would be at least one day.

Q. Twenty-four hours?

A. At least, I should judge it would require that much time.

Q. You would be prepared to believe it might require even longer?

A. It might take longer; of course it would vary with the conditions of the traffic and the conditions of business.

Q. I am speaking of average conditions, of course.

Q. Under normal conditions, yes.

Q. It is exactly at points like that, that congestion of freight is likely to take place?

A. Yes, sir.

Q. And of course that means delay in handling?

7385 A. Delay in moving and handling.

Q. And also increased expense in handling. When your side tracks get filled there is expense in getting the cars out and on the way?

A. Yes.

Q. That of course increases the amount of cars used by the shipment?

A. Yes, sir.

Q. So that a shipment instead of using a car six days might use it for eight or ten, according to the delay?

A. Yes, sir; according to the delay.

Q. You say that your local freight is the beginning of your through freight. That is, your local freight is gathered up and becomes the basis or body of your through freight?

A. It is incidental to the through freight. It is the beginning. It is either the concentration or the delivery or the other movement of freight. Of course, it is not always the case, but it is the foundation.

Q. The local freight becomes through freight?

A. It does after it is concentrated.

Q. And the through freight in turn becomes local freight when it gets to the distributing points?

A. Yes, sir.

Q. And the one is essential to the other?

A. Yes, sir; it is a part of the business.

Q. You are very much disposed to treat the entire traffic business of the country as a unitary business?

7386 A. That is my judgment that it ought to be so considered.

Q. One cannot exist without the other, and one cannot be done without the other?

A. That is true so far as the business of the traffic of the United States is concerned.

Q. If the proportion of the through freight which is state freight and the proportion of local freight which is state freight bears the same relation to the interstate freight, would not the cost of doing the state business be the same as the cost of doing the interstate business, saving and excepting the terminal service would be greater per ton per mile in the case of the state freight than in the case of the interstate freight?

A. I don't just exactly know how to answer that.

Q. Suppose one-tenth of your through business was state business and nine-tenths of your through business was interstate business, one-tenth of your local business was state business and nine tenths of your local business was interstate business: what reason would you have for ascribing a different cost to the state business from that ascribed to the interstate business, except the fact that there was more terminal service per ton per mile in the case of the state business than there was in the case of the interstate business?

A. To make an answer to that question clear, I take it, the state through business means the interstate business that is on the division or in the locality of distribution or concentration.

Now that class of business, all of it, is handled by the local train—well, I won't say all of it, but the greater proportion of it is

7387 handled by the local trains. All the traffic carried by the local trains is more expensive to handle than that carried upon the through trains.

The proportion of interstate business that is carried on the local train, with the exception of the terminal expense, costs as much, that proportion of it, as any other kind of local freight.

The interstate freight, what is technically called interstate freight, carried upon the local trains, bears a very small relative proportion so far as tonnage is concerned, to the whole of the interstate freight. While the expense of carrying it, plus the state freight, while it raises the cost that much of the movement of the interstate freight, the local tonnage carried upon the local trains is all of a higher cost variety.

Q. You say that the state through freight is usually carried on local trains and the interstate through freight is usually carried on through fast train?

A. Well, the bulk of it is, unless it would be under some peculiar condition like the traffic between St Louis and Kansas City.

Q. That is a clear discrimination against the state freight, giving the interstate a greater advantage then. And then you charge the state freight more because you give it less and poorer service than you do the interstate?

A. No, sir; you do not give it poorer service. You give it less service. You give it the kind and character of service necessary to handle it.

Q. Your railroads are divided up into divisions for con-
7388 venience of operation, aren't they?

A. Yes, sir.

Q. And there may be a number of divisions in the state?

A. Yes, sir.

Q. And the purpose of that division, and the purpose in fact of all railroad organization, is to get the maximum of movement with the minimum of expense?

A. Yes, sir; the greatest amount of work at the minimum cost.

Q. You break and make trains at these different stations?

A. Yes.

Q. Carloads starting from St. Louis west on the Missouri Pacific, what is the first division station?

A. The first division station depends on what line is used West.

Q. Say Sedalia.

A. Sedalia is the first division point.

Q. Out of St. Louis.

A. Yes, on the line that runs that way, the Hill line, called the South line.

Q. Take either one.

A. The main line, the first division point is Sedalia.

Q. Take a shipment destined to a point beyond Sedalia, shipped from St. Louis, and east of Kansas City, why should not that go into the through train?

A. Because in loading freight at St. Louis for distribution, St. Louis being a large distributing point, the whole system—
7389 I am now talking about the Missouri Pacific—is divided up into what they call loading territory, based upon the amount of tonnage going a certain distance. These cars that are loaded at St. Louis, for instance, they may load a car every day in St. Louis that goes to Atchison, Kansas, and is distributed on the central

branch. All freight going to that territory is put into that car and nothing else.

Now out of St. Louis a loaded car may be loaded that distributes between St. Louis and Kansas City all over the main line. Or a car of that kind might be loaded with the first freight to come out of Sedalia.

Another car of merchandise, if it is state freight, might be loaded where the distribution commenced at Pleasant Hill, going south.

This arrangement or loading scheme is adjusted and readjusted and changed according to the amount of tonnage to go. The idea being to economize in the use of cars or in other words to get as much tonnage in the car as possible. The idea being to carry as little dead weight of cars as possible and at the same time give the freight itself a reasonable expedition in transportation.

Now if they hold a car at St. Louis in all cases to fill it up with this distributive freight, why sometimes it might be filled up in one day, it might sometimes be held two or three days to get a load. So it is not the practice in large distributing centers like St. Louis to do that. It is the practice to have a loading scheme and clean it up every day.

That is one of the elements that makes the cost of handling
7390 that kind of freight greater.

Q. Freight between competitive points is usually carried at less rates than freight between non-competitive points, isn't it?

A. Well, now, do you refer to competitive points on interstate freight?

Q. I refer simply to competitive points.

A. Any kind of freight for competitive points?

Q. Yes. That tends to a lower rate, doesn't it?

A. Yes.

Q. Because you have not control of the business. You have got to go out after it and offer inducements?

A. You have to meet whatever the commercial conditions require and demand.

Q. That is about the way the freight solicitor would put it, isn't it, that he must go out after it and get it?

A. I do not understand there is any practice today of cutting freight rates.

Q. The tendency is to a lower rate, though?

A. The tendency is towards lower rates between competing points.

Q. And then you try to offer better facilities than your competitor, don't you?

A. I should think the railroads would.

Q. One road says, "We can deliver your freight sooner than the other man can, we have a shorter line"?

A. Yes, and the service.

Q. "We have better organized service"?

A. Yes.

Q. "Better locomotive power and a faster schedule." And
7391 these inducements would be held out?

A. Yes, sir.

Q. And you try to realize those inducements, don't you?
A. Yes.
Q. That is in practice?
A. Yes.
Q. Now tell me why that does not result in your discriminating against the non-competitive freight and in favor of the competitive freight in the character of the service you render it?
A. It does not discriminate, Mr. Lehmann, for the reason that the circumstances and conditions that prevail in the one case do not prevail in the other case.
Q. Do you mean to tell me that in the case of a carload of non-competitive freight and a carload of competitive freight, if the company cannot take both of them at the same time and in the same train, it would not take the competitive in preference to the non-competitive?
A. That it would not take the competitive?
Q. Yes, in preference to the non-competitive.
A. For the purpose of expediting the movement and giving it better service?
Q. Just the question I asked, if it could not take them both today and had to leave one over until tomorrow, would it take the competitive car rather than the non-competitive?
A. I think it would.
Q. And does not exactly that motive run through the entire service. Don't you side track local trains in order to give the
7392 through train the right-of-way?
A. Yes, sir; the inferior train is not of course given the preference that the other is. And there is a reason for that and I think a good and sufficient reason:
In the first place the local train is scheduled over the road in daylight. It has time.
Q. You make it have time?
A. Yes. You make it have time. It has time to lose and necessarily so. Now the other train, the through train, has its connections to make. And in the operation especially on a single track road, it is important to keep these trains moving and on time in order to work the road, (if it has plenty of business, and if it is on the main line,) to good advantage.
The competitive conditions that you speak of constitute a different set of circumstances altogether that surround that part of the business from that which prevail in the case of the local freight.
Q. How do competitive commercial conditions, create any different in practical operating conditions, except as you choose to make a difference in the practical operating conditions in order to favor the competitive traffic?
A. Competitive conditions I refer to in my answer grow out of the commercial conditions. They make it necessary for the different systems in order to protect their tonnage and protect their business to do these things that you may call discrimination against the interior country, which is not looked upon by the railroad management as unjust discrimination.

7393 Q. I am not so characterizing it, Mr. Doddridge, but——

A. Well, I cannot explain it without using that word. I am not characterizing it, but I simply want to differentiate between commercial conditions and practical operating conditions.

Q. Now your operating conditions are within your control when the commercial conditions are not?

A. Yes, sir; that is so.

Q. Your operating conditions are controlled by commercial conditions in the sense that if you do not recognize the commercial conditions in ordering your operating conditions you would necessarily lose the competitive traffic?

A. That is exactly it.

Q. Now on that account it is you give your fast schedule to your competitive or through traffic and you give your slow schedule to the local train so it can make its time and also take the side tracks and keep out of the way of the fast or through train?

A. And do its work.

Q. On, yes, do its work. And that slower time and that having to take the side tracks to get out of the way of the through train increases the transportation expenses of the local train?

A. Necessarily it does.

Q. And it takes the side track frequently, just to get out of the way of the through train, doesn't it?

A. Well, yes, it may.

Q. You charge the expense of side tracking the local train for the benefit of the through train to the local service, in your
7394 estimate of the relative cost of the two, don't you?

A. Yes, we charge that, of course, to the relative cost made necessary by the circumstances and conditions under which this train must be run.

Q. And yet that side tracking is done in the interest of and for the benefit of the through service, and is to the detriment of the local service, and yet you think the local service ought to bear the cost of it?

A. I think the local service of course ought to bear the cost of it.

Q. Although it is to the detriment of the local service and for the benefit of the through service?

A. Well, broadly, I would not want to put it in that way.

Q. Isn't it to the detriment of the local service?

A. To a degree, yes.

Q. Isn't it for the benefit of the through service?

A. Well, yes.

Q. Isn't there a good deal of the expense of the local service that is incurred in that way and for that reason: that is, resulting from a subordination of the local service to the peremptory commercial requirements of the through service?

A. The conditions under which the local service is performed, the fact that the local train must do the work at all of the stations on the line, the switching, the loading and unloading of freight, the delivery of passengers, the fact that the schedule of the train is made slow to enable it to do its work and its side tracking; the fact that

it is usually a train of light tonnage; the through train is
7395 the long, heavy tonnage train, is the reason why the local train—so far as side tracking is concerned, is subordinated to the other train, and not simply on account of its being the state train. But because it is lighter and an easier handled train.

Q. You make it so.

A. We make it so because the business conditions require it.

Q. Your best locomotive power is put on the through trains?

A. Yes, sir.

Q. You have different classes of engines, I believe.

A. The superior classes as a rule are used on the through trains, of course.

Q. And you put your most experienced men in charge of those?

A. The most experienced men, I take it, usually run the local trains. The best men on the road.

Q. Engineers?

A. Yes, engineers. And the conductors, as a rule, that run the local trains. It is a perferred run. It requires more talent, it requires a better man to get over the road with a local than with a through train.

Q. What is the comparative pay of the engineer in charge of the high rated engines and the one in charge of the ordinary or lighter engines?

A. The engineer on the local train gets a higher rate of pay as well as the conductor, based upon the kind of engines used in the train.

I will explain that so it will be clear. The very largest type of engine that pulls the through train is rated at a higher
7396 rate of pay than the small engines used in the same service. But the engineer that pulls the local receives a higher rate of pay taking into consideration the weight of the locomotive he runs, than the other man. In other words, the local run is the freferred run.

Q. Do you use the big enginees on the local run at all?

A. Not very often.

Q. Not very often.

A. Not when it can be avoided, because it is not necessary.

Q. The man that runs the big engine gets the highest mileage?

A. That depends upon circumstances.

Q. How do they pay the engineer?

A. The engineers get different rates according to the weight of the engine and the freight run.

Q. They pay them by the mile?

A. They pay them by the hour, and by the mile and by the weight. They classify them.

Put it this way: suppose you have an eight-wheel locomotive running in the through train and an eight-wheel locomotive in the local, the man running the eight-wheel in the through train would receive a higher rate than the man running the eight-wheel in the local, freight.

Q. You do not run eight-wheel locomotives in the local freight do you?

A. Oh, yes, that is a light engine. As a rule the lighter engines are assigned to the local because of the fact that the train does not pull the heavy tonnage that the through train does.

7397 Q. The through train runs faster and therefore it is less per mile?

A. The schedule is quicker in the case of the through train but it does not run any faster, so far as getting over the road is concerned. The local is as a rule a faster train on the road.

Q. But between termini?

A. Between termini the time is probably slower on the local.

Q. You have spoken of this local service being a fixed arbitrary service?

A. Yes, sir.

Q. What do you mean by that term, "fixed arbitrary service"?

A. I mean the local train is scheduled to run daily except Sunday and it is run regardless of the work to be done by the train. It is run every day on the same principle that the passenger trains are run daily. Now a through train may or may not run.

Q. A through train, strictly speaking, is what you might call an extra train?

A. No, sir; it is not an extra.

Q. I mean as far as your schedule is concerned.

A. They may annul a through train if they have not a load. In the operation of railroads that is practicable.

Q. For example, does it work out pretty universally as a rule. That is, as a rule you have the same number of trains a day. Does it so work out?

A. It works out in practice with the varying conditions of the business. For instance, if during this month the movement

7398 would perhaps be pretty regular and next month it might be a great deal more or a great deal less as the conditions changed and so on.

Q. Mr. Doddridge, would you have a regular hour for starting that through train, so far as you could in actual service?

A. Yes, sir.

Q. And you come as near making it a regular train as you can?

A. That is necessary and it is done.

Q. I assume so.

A. Yes.

Q. For instance, if you are moving grain at a particular time, say the period for the movement of grain, you will have a certain uniformity about that?

A. For the movement of those trains, yes.

Q. And there you will have what might be called a regular schedule, a regular number of trains per day, and a regular hour for starting those trains and getting them over the road?

A. Yes, sir.

Q. And if for any reason you do not have the expected quantity of grain you would not start the train?

A. It would not be run. It would be annulled.

Q. That is a break in the regularity of it. That is, if you do not have the freight you do not move the train?

A. Yes, sir; do not move the train and do not have the cost.
Q. But otherwise you make the train as regular as you can?
A. Yes, sir.
Q. You do not know in advance always whether you are going to have that freight or not, do you?
7399 A. No, sir; matters of that sort are left to the judgment of the men in immediate charge.
Q. And that uncertainty induces a certain measure of expense, of course?
A. Yes, sir; I should say it did.
Q. Because you must be ready to do business whether it is there to be done or not?
A. Yes.
Q. To some extent then your through service is like your local service. You must be there prepared to do the business whether it is there or not?
A. So far as engines and crews being on hand, but they are not paid anything unless they make the mileage.
Q. The same freight may be through freight part of the way through the state and local the rest of the way, may it not?
A. Yes, sir.
Q. Or in the state. For instance, freight may be through freight St. Louis to Sedalia and local freight from Sedalia to points between Sedalia and Kansas City?
A. It might be. I hardly think, however, that in practice there is very much of that kind of business, as illustrated by your example.
Q. Well, Sedalia is a division point?
A. Yes, it is a division point, a terminal point, where we change engines and where we set out cars.
Q. And branches run off from there?
A. Yes, sir.
Q. How many branches?
A. There is one from Sedalia to the south and one over to
7400 the Missouri River to Lexington.
Q. And you break trains there?
A. Yes, sir.
Q. And you make up another one?
A. Yes, we break trains to set out that kind of local business.
Q. And you take freight that has come over these branches?
A. Yes, sir.
Q. And make up another train?
A. Yes, sir.
Q. And go ahead?
A. Yes, sir.
Q. You may have more or less of the cars you started from St. Louis with in the train that comes from Sedalia to Kansas City?
A. Yes.
Q. On these local trains which you say run locally, how large is the division that they run over? Isn't it the same as the others?
A. Not always. The local division is adjusted as a rule to suit the conditions, to suit the amount of work.

Q. The volume of traffic largely?

A. The volume of traffic and the amount of work to be done. I will say this: I have known local divisions to be as short as forty miles and take all day to get over the forty miles.

Q. On account of the density of traffic?

A. Yes, sir; on account of the density of traffic, the amount of switching necessary and so forth.

7401 Then again they are stretched out to eighty or sometimes one hundred miles. I should say that as a general average in the State of Missouri they would be about eighty miles. That is my best judgment on that point.

Q. What is the character of the traffic carried on those local trains as to its greater bulk, state or interstate, in Missouri?

A. In this case we made a test on the Missouri Pacific Road and it is now in evidence, but I have not the figures before me. My recollection is that it showed about 50 per cent interstate freight.

Q. I think the test you made, Mr. Doddridge, showed 59 per cent of interstate and 41 of state?

A. Yes.

Q. That train, of course, was running for interstate as well as for state freight?

A. Yes; it carried both kinds together.

Q. And is handled by the same crew?

A. Yes.

Q. And in the same way?

A. Identically the same throughout.

Q. What reason is there for a difference of cost as between state and interstate in that case except the per cent for terminal charge per ton per mile is greater in the case of the state than the interstate?

A. So far as the particular freight is concerned, carried on those particular trains, there would be no greater cost in

7402 transporting that interstate freight than the state freight, except the terminal charge.

In order to ascertain the results correctly, you would have to take into consideration the amount of state freight that is carried upon that train as applied to the total state freight carried upon the other trains.

In other words, what I mean to say is, we have to take into consideration all the trains and find out what relation the state freight bears to the whole.

Now I happen to know that in another test made for another purpose, to determine this point, we found that the local train had 30 per cent of the state freight. That 30 per cent of state freight represented 80 per cent of all the state freight carried in the state.

Q. What has the through state freight to do with this? Suppose the road did not carry any through state freight at all would not the relation of expense as between state and interstate traffic on the local trains be just what it is anyway?

A. If we did not have any through freight, at all, except——

Q. You are running the local train and you say that more than half of the freight carried on the local train is interstate freight.

There is a certain expense incident to and chargeable to these local trains. That expense is in turn to be divided between the state freight carried on those trains and the interstate freight?

A. Yes.

Q. Now why is not the expense of doing the state business
7403 exactly the same as the expense of doing the interstate business per ton per mile, excepting that the terminal charge in the case of the state freight is distributed over a less number of ton miles than in the case of the interstate? What other elements of difference adverse to the state freight can you find?

A. There is no other element of difference so far as that train is concerned, or so far as that identical freight is concerned, carried upon that train and in that way.

Q. And on that kind of a train?

A. Yes, on that kind of a train. But when you go further than that——

Q. I had not gone further. Aren't there expenses incident to interstate freight that are not incurred with respect to state freight at all?

A. Relatively and so far as transportation is concerned, I should say no.

Q. Every railroad operating in the state of Missouri has passenger and freight agencies all over the United States, haven't they?

A. They have, but from the answer to the previous question, the way it way put, you refer to the transportation?

A. Yes.

A. They have agencies in that way, as I answered.

Q. This brings up another item of expense.

Now the expense of soliciting business, passenger and freight, is essentially chargeable to the through interstate business, isn't it?

A. No, sir; I would not agree to that.

7404 Q. The Missouri Pacific has several offices in the City of New York, and passenger officials.

A. Yes, sir.

Q. Up town and down town. I don't know how many, but I know I have seen more than one there?

A. Yes.

Q. It has freight offices also in New York city?

A. Yes.

Q. And they do not maintain them with respect to freight that moves between Herman and Washington, do they?

A. Those offices are maintained primarily for the solicitation of freight and passenger traffic for the entire system. Incidentally those officials advertise the country through which the railroads run. And in doing so they advertise the State of Missouri, as well as Kansas, and certainly a part of the expense would be attributable, I should say, to the state business of Missouri. Perhaps not in so great a degree as when you come to make a division between state and interstate traffic?

Q. Would you venture an opinion as to what percentage of the cost of the New York offices is chargeable to purely state business in Missouri?

A. Well, I think it is a common expense, one of those things you cannot divide, and it is one of those things that must be determined by the exact local conditions. We cannot determine offhand without knowing just what they are doing. We know they are distributing advertising matter. We know they are there to
7405 sell tickets over railroads. Through tickets and local tickets. We know those offices are maintained for the purpose of giving information and looking after the terminal interest in a broad sense of the whole railroad.

Q. Would anybody buy a ticket from Herman to Washington, in New York City ticket office of the Missouri Pacific Railroad?

A. No, sir.

Q. Isn't that absolutely done for the through business. And you say they advertise the state. Don't they advertise the Missouri Pacific Railroad?

A. And every state, they do, all the states through which the road runs. They furnish information about the states that the road runs through. It creates and is in my judgment one of those common expenses——

Q. That ought to be divided in the manner you have already indicated?

A. Well, I don't see how you are going to divide it any other way.

Q. The information they distribute about Missouri is distributed to people who do not live in Missouri and they are trying to get to come here, rather than to the people who live here. They do not distribute information to the man growing grapes in Herman, and tell him about the advantages of Gasconade County for grape culture?

A. No, sir. But certainly the endeavor is to promote the industrial interest of the State and advertise its resources.

Q. Don't you think all those expenses are practically en-
7406 tirely through expenses?

A. No, sir; I don't think they ought to be so considered.

Q. These companies all have traveling passenger agents, too?

A. Yes.

Q. They travel outside the State of Missouri in order to solicit people for through traffic, don't they?

A. They solicit traffic of course between the competitive points.

Q. They do not solicit the traffic between the non-competitive points?

A. No, sir; because it is not necessary. It is not a necessary condition of business.

Q. You have both traveling passenger solicitors and traveling freight solicitors?

A. Both.

Q. And these offices to which I referred you have in all the large cities of the country, haven't you?

A. I think wherever the traffic conditions justify it. I would not say all the large cities. They do not maintain as many large offices as that. But in the eastern cities and in the western cities, yes.

Q. Wherever it is necessary?

A. Wherever the business conditions justify it. I presume they maintain what they call their outside offices.

Q. Do you know whether on the Missouri Pacific the proportion of interstate freight is larger than it is on an average on the other roads in the state?

7407 A. I don't know about that, I am not familiar with the details now. I have forgotten what the statement shows. You see it has been a year or more since we made any investigations along those lines. I did not suppose that questions like that, with reference to freight, would come up and therefore I have not qualified myself or refreshed my memory on the details.

Q. The freight carried over railroads of Missouri is farm products to a large extent, isn't it?

A. Agricultural products, yes.

Q. Grain and live stock?

A. Yes.

Q. And that is mostly through freight, isn't it?

A. It becomes through freight or rather interstate freight. I think the bulk of that tonnage is interstate freight.

Q. Because the live stock—well, I believe you carry a good deal to Kansas City and I believe you carry to St. Louis and Chicago. Where are the markets for that?

A. The live stock market would be Chicago and East St. Louis, St. Louis. I do not know how this cattle in Kansas City is consigned, whether to St. Louis or East St. Louis. The stock yard market in St. Louis is in East St. Louis.

Q. And the markets here in Kansas City, Kansas?

Mr. HAGERMAN: The state line runs through the yard, but I think your assistant counsel will agree that we practically exhausted that subject in the hearing before the Master. We have a queer situation here in Kansas City as the state line runs right through the Stock Yards.

7408 Mr. LEHMANN:

Q. At any rate a large part of that is interstate business?

A. I should say so.

Q. That is made up of the sum of local business you have spoken of that you have picked up here and there?

A. Yes, assembled and gathered up here and there.

Q. Coming from your branches here and there?

A. Yes.

Q. I suppose taking it in the aggregate very much the greatest part of it comes from what we might call little stations?

A. Yes.

Q. In other words the large station is not apt to be a loading place for grain and cattle in the same proportion as the smaller places?

A. Not in proportion to the population.

Q. That is what I mean. So that in the aggregate this agricultural freight comes from the small stations?

A. Yes, sir.

Q. Now your through freight trains are made up mainly of loaded cars, aren't they?

A. The through freight trains?

A. Yes.

A. I will answer that question a little differently and explain it. Usually the through business of a railroad will consist of loaded cars in one direction and partly loaded cars in the other, depending on the conditions of the business.

7409 For instance, if the grain is going East there will be no empty cars going East during the busy season. They would be all loaded. And a certain number of empty cars would be moving in the other direction to make up the difference of the cars going through the country not loaded to supply what is needed.

Q. If you have reciprocal freight going in the other direction, of course you would carry that in your through trains?

A. These cars as a rule are carried in the through trains except there are local conditions which change the situation to some extent. For instance, you might have a district that was producing coal and that used a certain kind of coal car. In that case you would have empty equipment moving towards the coal and loaded coal going the other way.

Q. That would be practically true all the time?

A. Yes, sir.

Q. And that would be true whether it was through freight or local freight?

A. Yes.

Q. Because that is the quality of the freight itself that determines that?

A. Yes, sir.

Q. Your coal cars, in other words, are not adapted for carrying any other kind of freight?

A. No, sir.

Q. And that would be true of oil cars?

A. Yes, sir.

7410 Q. And that would be true of stock cars?

A. To some extent.

Q. Not to the same extent, because you can use the stock cars for some other purpose?

A. Yes, but not much.

Q. What kind of cars are exclusive in their use, like coal cars and stock cars. Are there any others?

A. Refrigerators, I guess—no, I don't really know of any others that are not used some times, even refrigerator cars.

Q. The refrigerator cars you do usually use——

A. Usually only one way.

Q. And stock cars, especially these — stock cars?

A. The same principle would be true of them. Sometimes they are used, but not usually.

Q. So as a rule you might say, coal, oil, refrigerator and stock cars are either altogether or mainly used only in one direction?

A. Yes, sir.

Q. Your distribution of empty cars is as a rule conducted through your local trains, isn't it?

A. The distribution of empty cars for use locally?

Q. Whether state or interstate.

A. Yes, for all purposes.

Q. The stock cars taken out and set off at local stations to be loaded with stock there as a rule are handled by the local trains?

A. Yes, sir; unless it is a train load of stock.

7411 Q. Well, train loads you usually get only at the great commercial centers?

A. No, sir;—well, I guess that is true, locals to Kansas City or its neighborhood. But when you get off a long distance, frequently special trains of stock are loaded where they have a certain number of cars to go, a minimum number of cars. In that case the local train would not have anything to do with it. It would be handled as a special train, a stock train.

Q. In this local train service, is there any difference, as a rule, between the loading of cars with state freight and the loading with interstate, or do you put the two kinds interchangeably in the same car?

A. There is no distinction between state and interstate freight, so far as that particular thing is concerned. There is no difference whatever. The freight is treated identically the same.

Q. You mass your freight just as you can. You make as many through cars in the sense of getting through from division to division as you can?

A. For economical purposes, yes.

Q. You have what you call "break bulk" cars?

A. We have what we call way cars or local cars. The term "break bulk" is not used on railroads in Missouri as a technical term, but it means the same thing.

Q. If you have break bulk freight for Sedalia you will have as many cars from St. Louis to Sedalia as you can fill up, won't you, and break your bulk at Sedalia instead of sending it in broken

7412 bulk from St. Louis to Sedalia?

A. That matter would be regulated according to the circumstances and conditions of the movement of freight. Whether we could break bulk at Sedalia or whether it would not do it until it got beyond Sedalia or to Kansas City, is a question I do not know. I will say further, I think what you mean is, that there is sufficient freight between Sedalia and Kansas City to justify loading a local car from St. Louis that would distribute between these points?

Q. Yes.

A. I do not know whether the demand is sufficient to justify such a car, but if there was a demand sufficient to justify it, I presume that is the way they would do it. That would be the proper way to do it.

Q. But whether that condition exists you cannot state?

A. I do not know.

Q. You have been at work on this matter for some time, that is with reference to these cases?

A. Yes, sir; I have not been at work lately in this particular case.

Q. You were employed by the company about the time of the first litigation?

A. Yes, sir; at the time of the first hearing I was and I followed it until the evidence before the Master was all taken and the case closed.

Mr. HAGERMAN: That is the part of the case that was under
7413 the Act of 1905?

A. Yes, sir; and then I had nothing further to do with it until recently.

Mr. LEHMANN:

Q. And you have taken it up again for them?

A. Yes, sir.

Q. You have gathered considerable material bearing on this matter in your researches?

A. I have endeavored to qualify myself in a general way. I will say I have not gone into the accounts nor the statistical matters in connection with the railroad itself, but for the underlying principles connected with transportation.

Q. Are you able to state what the tariffs were—I do not mean with precision, but relatively, before we had any legislation on the subject, as between state and interstate rates. When the companies were free to fix both rates so far as the law was concerned, and governed only by commercial conditions?

A. I cannot speak of my own knowledge on that point except in the matter of giving a very general opinion, because I was not in the State of Missouri. I was not a resident of Missouri at the time of the passage of the law creating the State Commission.

Q. I did not know but that you have looked it up. That would have to be historical on anybody's part.

A. I can state this; Prior to 1870——

Q. 1875 was the rate fixing period in Missouri.

A. 1875?

Q. Yes.

7414 A. Well then, prior to the year 1875, there was no rate regulation, no specific rate regulation in Missouri, except such as would come under what would be called or known as the common law rule of discrimination. But at the time of the Granger movement which took place in Missouri, together with all the western states that participated in that movement, they adopted constitutional provisions and passed laws. And the first laws that were passed after a trial were found to work against those so-called Granger states——

Q. You are getting away from my question. What were the relative rates before that time. I would not agree as to the effect of those laws. But we are all agreed now that the laws were wise in principle.

A. The rates I think were considerably higher than they are now.

Q. The local business has developed a good deal since that time?

A. The density of traffic, certainly.

Q. And density of traffic tends to cheapen the cost of handling it?

A. It does within certain limits. After it passes a certain point then it tends to cheapen the cost.

Q. You can handle a large volume more cheaply than a smaller volume so far as the rate per ton is concerned?

A. Yes, after it reaches a certain point, and within certain limits.

Q. Are you able to state whether the state rates in Missouri as compared with the interstate rates, compared with 1875, were any?

higher relatively than they are today, when the companies
7415 were free to fix them?

A. Compared to the interstate, do you say?

Q. Yes. I am not asking how much a ton or anything, because nobody could remember a thing of that kind.

A. The interstate rates have gone down since then, materially.

Q. But I am speaking of the relation between the two. You suggested that the state rates are about twice as high as the interstate rates now. Now were they ever any higher relatively than that?

A. I don't think they were relatively, but at the same time I am hardly qualified to testify on that.

Q. I did not know but that your investigations had lead you to that?

A. No, sir.

Q. As to the passenger business, hasn't it been true from the inauguration of the railroads in the United States, that except as controlled by competitive conditions, as for example two railroads between two points, the shorter line controlled as between those two—but hasn't it been true, I say, from the inauguration of the railroad systems in this country that the railroad companies by their own voluntary actions and as expressing their sense of what is right, have fixed passenger rates always on the mileage basis, 5 cents a mile, 4 cents a mile, 3 cents a mile, 2 cents a mile and so on.

Mr. EVANS:

7416 Q. How could you fix it otherwise?

Mr. LEHMANN:

Q. Or, whatever that rate might be, has not that been the absolute and invariable usage with the railroads since the inauguration of the system down to the present time, except as modified by competitive conditions?

A. The mileage system is a unit of measure, and I guess has been the one generally used.

Q. In the absence of competitive conditions has any railroad ever suggested that the man traveling two hundred miles should have a less rate per mile than the man traveling one hundred miles?

A. I don't know that I ever heard of such a case.

Q. Since the inauguration of the railroad system in this country down to the present time have not the passenger trains always been what you call arbitrary, fixed trains with the rare exceptions of

such things as excursion trains and so on—but taking the uniform train service?

A. The passenger trains are run regularly.

Q. And every train before it starts has its fixed stopping places, fixed in advance?

A. Its stopping places are either fixed by the time card or dependent upon some regulation in regard to stopping.

Mr. HAGERMANN:

Q. Like flagging, or something of that sort?

A. Yes, sir.

Mr. LEHMANN:

Q. But that is fixed?

A. Yes, sir.

Q. In other words you have what you call flag stations where you do not stop unless signalled, but the conductor knows before
7417 hand that if signaled he must stop to take on a passenger?

A. Yes, sir.

Q. Or to put one off?

A. Yes, sir.

Q. So the passenger service may be characterized as you have characterized the freight service, and a "fixed", arbitrary service"?

A. Yes, sir.

Q. Has not the company always, therefore, based its charges for the service rendered by them, upon the theory that the difference in cost per passenger mile for short hauls and for long hauls was an absolutely negligible quantity?

A. The companies in making their passengers tariffs—I mean outside of the competitive conditions——

Q. I am speaking outside of these.

A. (Continuing)—have adopted necessarily a system of general averages. The rate being made upon the basis, I presume, of travel from the East to the West.

But the conditions of the cost of the service could not be taken into consideration by the companies in the matter of the making of the rate. For instance, as measured by the mile you might have conditions where the cost of service would be twice that on one mile it would be on another mile.

Q. Give a case of that sort where it would be twice that.

A. In Missouri?

Q. Anywhere.

A. It would be twice that in the Rocky Mountains, for instance.

7418 Q. I want the conditions to be the same. We are simply considering the short and the long ride, and not the mountain and the plain.

A. We were talking about mileage as a unit, as a basis for the rate.

Q. We are talking about the short and the long ride. Of course we realize that when you get to places like the Rocky Mountains

the conditions are different. Where the short ride costs more per mile than the long ride, the difference being simply in the length of the ride, is what I asked you.

A. The cost of the short ride is greater per mile for a number of reasons.

Q. Those are the ones I want now.

A. The shorter the ride the greater the number of handling of the passengers to produce a given amount of revenue.

In the case of the Missouri Pacific where I looked into the figures, they handle three local passengers or more to earn the same amount of money that is derived from one through or interstate passenger.

There is some additional expense attached to the handling of three passengers to one.

The state passengers have two terminals, that is to say, two depots in every case of every ride. The cost of handling a passenger through a depot in Missouri and on the Missouri Pacific Railroad, I will say, during the period under consideration, was 4 cents and a fraction for each passenger. On some of the other roads
7419 it is higher than that. But about 5 cents I should say on an average.

The local passenger revenue per passenger per mile on the Missouri Pacific, on account of these competitive conditions, produces 1.87 cents per mile instead of the legal 2 cents. That would mean a revenue of about 58 cents per passenger. If the extra terminal cost is 5 cents that would produce an increased expense, a relative expense of 8 or 9 per cent for the extra cost of handling them.

The fixed arbitrary train service is necessary in handling the state passengers, for the purpose of supplying proper accom-odations to the interior territory lying between the larger cities and the points at which it is not practicable to stop a through passenger train to take care of the local business. That creates a necessity for an extra or additional train. This is especially true on branch lines. These trains carry all the business both interstate and state.

The through trains, especially on the main line between St. Louis and Kansas City, that we have been talking about, are loaded mainly with state passengers. (Witness examines memorandum).

Q. You have it written out there, some of these matters? If so, I will be very glad to have you just read it?

A. Well, it would hardly fit, after making my statement. I was going to say, that the extra stopping to accom-odate the local business produces and creates an extra cost.

The COURT: You have gone over that heretofore. You
7420 said it cost 50 cents to stop a train. Unless you want to change that there is no use in repeating it.

Mr. HAGERMAN: He was not volunteering it, it was in reply to Mr. Lehmann's question.

A. Then there is an increased casualty risk caused on account of the short hauls, the number of handlings required.

I believe those are all the elements I can remember.

Q. Mr. Doddridge, they stop at all these stations anyway. How does it increase the cost of the service when a train stops anyway

at a station I get on? And what difference does it make in the cost of stopping whether I get on to go through the state or to some point within it?

A. It would make no difference as to that feature, provided the train stopped.

Q. And your train does stop and is scheduled to stop before hand?

A. The local train is scheduled to stop and it does stop and it stops to handle the local business, either to discharge the traffic from the train or to take it aboard.

Q. Doesn't it take me whether I am going to St. Joe or whether I am going to a point in Kansas or some point in Missouri. It stops for the interstate as well as the state passenger?

A. Certainly it does.

Q. The facilities are there for whatever business may offer.

A. Yes, sir.

Q. And the cost of facilities is not created by the business
7421 that is there but the facilities are created in order to do the business?

A. Yes, sir.

Q. You could not carry the interstate passenger if you did not stop there, could you?

A. No, sir; but if you had had no local business and were carrying nothing but interstate business you would not run that local train?

Q. How would you get your men that wanted to go from Hermann, Missouri on your line to St. Joe, which is interstate business, because it goes through Kansas. Or if he wanted to go to Leavenworth, if you did not stop at Hermann and had no station there?

A. If we had not any local business we would not handle that class of trains. We would stop our through trains there.

Q. Wouldn't it cost more to stop one of your heavy through trains than to stop a light local train?

A. It would. But we are talking about not having any local business. Then there would not be enough stops but what the through train could handle that business. It is handled in some portions of the United States in that way.

Q. More frequently the train stops the less time it can make?

A. It loses about five minutes at each stop.

Q. How could you meet your competitive conditions on through traffic if you were handling local business on through trains? Aren't your local trains absolutely essential for your interstate
7422 business?

A. Under the present circumstances and conditions it would be impracticable to handle the local traffic on the through trains, operated on the trunk lines in the State of Missouri, and at the same time meet the competitive conditions with respect to crossing the state.

Q. Is it true that persons discussing which train to take, going a long distance, always say, "Oh, don't take that train because it stops at all the stations. Take the other train that has only two or three stops." That is true, isn't it?

A. Yes, that is true.

Q. That is a condition you have to meet in your through traffic?

A. Yes, sir.

Q. Therefore, if you are going to handle business that originates within the state and goes beyond it, or that comes from beyond the state and ends in the state, you have got to have local trains?

A. Yes, sir.

Q. Therefore, the state traffic does not itself create the necessity for the local train. But the state and interstate traffic, of the kind I last described, together create the necessity for the local train?

A. Yes, sir. The conditions of business, of course, create the necessity.

Q. You get your through and local trains only as your volume of business increases. Originally the through and local trains
7423 were the same, I presume?

A. Yes, sir.

Q. And as your business increases you get to having more trains and you run some fast and run some slower. Some stop only at one or two points and some stop at all points?

A. Yes, sir.

Q. The passenger service is rendered on the through trains?

A. The passenger service for the through passenger, yes.

Q. The more expensive cars are run on the through trains, aren't they?

A. The more expensive class of equipment, yes.

Q. The Pullman cars cost about twenty-five to thirty thousand dollars?

A. Well, I would hardly put it that high. I would say about twenty thousand dollars. At least, I have not had anything to do with buying Pullman cars lately.

Q. I thought they ran about twenty-five thousand dollars and upwards?

A. They may.

Q. Your ordinary day coach is less than ten thousand dollars, isn't it?

A. They range in price from——

Q. Seventy-five hundred to ten thousand dollars?

A. Yes, I was going to say, but some of them run a great deal more than that.

Q. The ordinary day coach run on your local train costs about that much?

7424 A. Yes, sir; that is about right, seventy-five hundred to eight thousand dollars.

Q. That ordinary day coach is very much lighter than the Pullman built coach, isn't it?

A. Usually it is a lighter car.

Q. Very much lighter?

A. No, sir; some coaches are not very much lighter.

Q. I mean taking equal conditions, length and so on. Do not take the short cars of one kind as against the long cars of another kind.

A. There are very many light coaches in use in the country,

built perhaps years ago, that are still in use. That type of cars is much lighter than the cars that are built now. As you come up and modernize the equipment relatively the Pullman car and the coach have been made heavier. Some of the coaches, the best built passenger coaches, are up to the weight of the Pullmans.

Q. Those are the ones apt to be run on the through trains?

A. Yes, sir; those are cars used in the through service.

Q. I am speaking of the local service.

A. The local service trains, of course, carry the lighter equipment and the older equipment.

Q. They give them the "second-hand clothes?"

A. Well, according to the conditions of the business. There are the same underlying commercial conditions.

7425 Q. Just like there are two boys in the family, the second boy never gets any new clothes?

A. That is the idea, exactly.

Q. The through coaches being heavier, of course it takes more power to pull them?

A. Yes, sir.

Q. That is the heavy weight?

A. That is the heavy weight.

Q. And therefore the greater expense?

A. The power to pull depends upon the speed as well as the weight. They must be taken together.

Q. In proportion to the car space, your first class coaches will accommodate fewer passengers than your day coaches. For example, a parlor car will hold about thirty people?

A. Yes.

Q. And your ordinary day coach will hold sixty people?

A. Sixty, yes.

Q. Isn't it true also that the ordinary day coaches on your local trains will carry more passengers per car than your coaches on your through trains. That is in actual traffic?

A. You mean in capacity?

Q. No, sir; in actual use.

A. They carry more people?

Q. Yes, per car. I am not speaking per train but per car.

A. I think that is true.

Q. In other words, the man who rides in the Pullman car
7426 has more car space available than the man who rides in the day coach on the local train?

A. Yes, sir.

Q. And your dining cars and buffet cars are carried on your through trains rather than on your locals?

A. Yes.

Q. And the dining car service, I believe, is not profitable in itself—I mean considered as an independent proposition.

A. That is what I have heard, I do not know as to that.

Q. As a railroad man, from observation and information, what would you say?

A. My judgment and understanding is it is not a money making proposition.

Q. Don't you render a distinctly better service and more expensive one to the through passengers than you do to the local passengers. In other words, don't you always take the through train rather than the local—other things being equal, between the same points?

A. Yes, sir; that is true looking at it from one standpoint. That is, commercial conditions. The through train with its fine cars and fast time makes a long run. The passengers that are carried ride long distances relatively.

The other class have accom-odations that in the absence of other reasons are suitable for the average thirty mile ride. That will account largely for these differences.

7427 The Pullman car takes care of itself, so far as the cost is concerned by what is paid extra. The same thing applies to the parlor car.

The dining car service was first inaugurated to save time, to keep the train moving. A line put on dining cars and of course the rest of them were compelled to do likewise. It was a competitive condition that brought that about.

Q. Do you think the parlor car pays as an independent proposition?

A. Well, yes, taking into consideration the fact that you would have to furnish the passengers some kind of a car to ride in anyway.

Q. Weren't they put on to meet competitive conditions?

A. Well, I don't know but what they were, possibly.

Q. You say there is greater liability of accidents on the local train?

A. In consequence of the multiplicity of handling there is more liability because as a rule the casulties that happen to passengers around a station while getting on or off the train, or in the case of the caboose on the mixed train, being mixed with freight and subjected to unexpected shocks caused by the switching and the impact of cars, that do not obtain in the passenger service at all.

7428 Of course the casualty caused from road accidents, I mean accidents such as collisions and things of that kind, I presume would be relatively no greater in the local service than in the other.

Q. Exactly. Your collisions and things of that kind, and there is where the more serious accidents occur?

A. Yes, sir, the expensive accidents.

Q. They occur right there, and you are as liable to a casualty in accidents of that kind, in the case of the local, on account of the light character of the equipment, which telescopes the cars and smashes them, more than to your Pullman cars, which will stand the shock, which would crush the other cars to pieces?

A. In that respect they are stronger.

Q. You think because you incur a greater danger to people who ride in the poor cars, you give them the poor cars to ride in, that that service should be charged with an extra proportion of the casualty cost to the company, when you yourself create the cost by discrimination in favor of the through service?

A. The casualty cost is an ascertainable item. It may be investigated and developed in the accounts of any railroad, and absolutely ascertained. I give it only that in a general way, that it is an element of cost per passenger mile.

Q. As a matter of fact, your greatest casualties occur in connection with excursion trains, which may be either state or interstate, isn't that a fact? Where you have a train packed, and where you have cheap cars, and not so much care perhaps, running as an extra and not on regular schedule; isn't there where you have your bad losses?

7429 A. Certainly there have been many bad accidents which arose from those causes; but what I call extra casualty cost per passenger mile can be determined by any of the roads in this State. That exact amount is something which can be identified. I only gave that as a matter of opinion.

Q. Isn't it related, not to state and interstate passage, but to local and through, and doesn't it result essentially from the discrimination in equipment and otherwise in favor of the through and against the local service; isn't that the primary cause?

A. The primary cause is the character of the service.

Q. How do you figure out it costs from four to five cents terminal expense per passenger per trip?

A. I take the total number of passengers that get on and off the train at the station, simply count them, no matter whether they are state or interstate, and divide the expense by the number.

Q. Have you done that?

A. It is in some of the railroad reports.

Q. Have you it here?

A. No, sir, I have not.

Mr. HAGERMAN: You have the figures. I gave them to you, as you furnished them to me, as to the Burlington road. I gave in your direct examination the figures you had compiled from the Burlington statement.

A. You take the cost of operating a station, or the cost attributable to the passenger business, and simply divide that by the number.

Q. How do you do that? Take Hermann; that station does

7430 a passenger and freight business?

A. That is divided in the first place, arbitrarily on a percentage. That is what I would like to get, that percentage.

Mr. HAGERMAN: Here are the figures I used. Interstate passengers on the Burlington statement.

Mr. LEHMANN: That does not give the basis, but simply the result.

A. I will say this: The railroads as a rule do not make any specialty of keeping an account of that kind. It is not necessary to know that cost.

Mr. HAGERMAN: But in the Burlington you came across these figures?

A. Yes, sir; they happened to have them. It constitutes one element of extra cost. The only way to arrive at it is to take the passenger cost of the station, and take the number of passengers ar-

riving and departing and divide it, and that gives you the station cost.

Mr. LEHMANN:

Q. I find in a letter referring to Burlington interstate cars, earnings from passengers, $1,777,778.28.
From state passengers, $1,611,702.92.
To earn the above they carried:
Interstate passengers, 197,808.
State passengers, 2,695,868.
The average haul of state passengers was 30.52 miles.
The average haul of interstate passengers was 98.07.
There being two terminals to each state passenger, and one terminal, and in some cases no terminal expenses to each
7431 interstate passenger.
Assuming that the extra terminal state passenger cost is five cents, 2,695,868 multiplied by five, equals $134,793.40.

Mr. HAGERMAN: That would be the extra terminal expense on that account.

Mr. LEHMANN: I want to know where you get the extra five cents, and why would you say there would be but one terminal for the interstate passenger, or perhaps none at all?

A. I get the five cents from the accounting department of the road where I investigated. I ascertained what it was on the St. Louis Southwestern for one.

Q. Did you ascertain from the Accounting Department or your own investigation?

A. From the Accounting Department. I had them ascertain it for me. The basis they figured on I do not know, except that they used their regular formula, whatever it is, for division.

Some roads divide the passenger and freight expenses on one arbitrary system, and some on another.

Now, on the Missouri Pacific Railway my understanding is, where the employees are all common, and the buildings are common buildings, they charge 25% of the expenses to passenger, and 75% to the freight.

So it is an ascertainable expense. That is, the total expense of the depot.

Mr. HAGERMAN:

Q. You mean the division of these common expenses of
7432 passenger and freight, which might be different on one road or another, one Auditor having one system and another the other system for dividing them?

A. Yes, sir, so far as ascertaining the average terminal expenses for each passenger, it is an ascertainable sum.

But what I based my judgment on was that it is between four and five cents, depending upon conditions of business, is because I found that in the state of Texas on the Cotton Belt it was eight cents, and in the state of Arkansas, slightly under six cents, and in the state of Missouri it ranged a little less than that.

I think in one case it was somewhat under five cents, between four and five. But to get at it in a general way, for my own satisfaction, I estimated it to be about five cents.

Mr. HAGERMAN: Averaged about five cents?

A. Yes, sir, averaged about five cents all over this section of the country.

Now, there being but one terminal for the interstate passenger, my reason for saying that, is that the interstate passenger, or course, originates or has destination across the state line, and therefore cannot have but one terminal in Missouri.

Now, in some cases, some interstate passengers who pass through the state do not have any depot service at all in the State of Missouri.

Q. I understand that, but when you figure out your percentages here, you base it on revenue.

Now, you have got an expensive terminal in Chicago, and you eliminate that from the earnings made from the passenger,
7433 because, from Chicago say to some point in Kansas on the C. B. & Q., you credit here the state of Missouri, or the Burlington as having earned in the State of Missouri its whole mileage proportion of that haul, and eliminate all the terminal expenses whatever.

Now, the company may do that, but they would not do that if there were two or three roads engaged in it; they would want pay for the terminal service, wouldn't they?

A. I don't know; of course, that is a question of methods with them.

Mr. HAGERMAN:

Q. What you mean is that the terminal expenses of a railroad ought to be distributed throughout the entire line?

Mr. LEHMANN: Certainly. Just as much a part of it on the Missouri part as it is on Illinois.

Mr. LEHMANN:

Q. In the Burlington case, are there some cases where there are no terminals, for interstate traffic?

A. On the Burlington, I do not know.

Mr. HAGERMAN: If I understand your question, why does not that apply to everything that starts outside the state and crosses it?

A. It would.

Q. Manifestly the Burlington must carry lots of passengers that are interstate. Take Leavenworth business, that would start outside the state of Missouri. It might go outside the state going to Chicago, and a through train coming from some other road and going through——

Mr. LEHMANN: I do not recall through trains from other
7434 roads.

Q. The Burlington between Kansas City and St. Louis, the trains stop at St. Louis? I am asking because I could not recall now whether the conditions were not the same all along.

Mr. HAGERMAN: At Leavenworth they start.
Mr. LEHMANN: Where do they go?
Mr. HAGERMAN: They go to Chicago?
Mr. LEHMAN: They go through the northwestern part?
Mr. HAGERMAN: Across, and join the Kanasa City train at Cameron.

Mr. LEHMANN:

Q. Assuming that the extra terminal state cost is five cents, why should it be five cents extra on state passengers?
A. Because there it is an actual cost.
Q. Why should it be that much extra for the state passenger instead of the interstate?
A. Because the state passenger has two of these services, whereas the interstate has but one, and may not have any.
Q. That is your reason for assigning the five cents?
A. Yes, sir, it is an extra cost, and extra service.
Q. How do you get the extra five cents? How do you apportion between freight and passenger business at the station? Do you take whatever the Auditor gives you?
A. The different roads have different systems.
Q. You have taken whatever they gave you?
A. Yes, sir, I am not an expert on that.
Q. You do not vouch for that?
7435 A. No, sir, I do not have anything to do with that.
Q. Strictly speaking, so far as you had to do with it, it was simply a matter of calculation. They said so many passengers left that station, and they attributed so much of the passenger espenses to the station, and it was a mere sum in division that you performed?
A. Yes, sir.

Mr. HAGERMAN:

Q. And then you had a clerk perform it?
—. ——.

Mr. LEHMANN:

Q. You vouch simply for the correctness of the sum in arithmetic?
A. I have no reason to doubt it, you know.
Q. You do not speak personally to the other phase of it?
A. No, sir.
Q. Then I will not go further with that.
There is some state business, according to your idea, that would have the use of but one terminal, where it starts on one road and ends on another?
A. That would be true, yes, sir.
Q. If freight is handled from St. Louis to Kansas City over the Alton, how does that go?
A. What line do you mean?
Q. Does that cross over into East St. Louis and then back?

A. Yes, it used to.

Mr. HAGERMAN: How is that, Mr. Tucker?

Mr. TUCKER: There is a line that runs over the Alton directly to East St. Louis and across.

Mr. HAGERMAN: The St. Louis-Kansas City business is done
7436 over the Mexico short cut.

Mr. LEHMANN:

Q. That is all done in the state, now?

A. I understand so.

The COURT: Go on; just so you confine yourself to the St. Louis & San Francisco case, which is the one we are trying now.

Mr. LEHMANN: This applies to all. I understood that the testimony taken in one case should apply to all.

The COURT: The order is that the evidence in one case, so far as germane, shall be used in all cases.

Mr. LEHMANN: Is there any difference in cost in handling traffic between St. Louis and St. Joseph over the Burlington, and handling that traffic over the Missouri Pacific, I mean, any essential, difference?

A. Well, the conditions of business of course might create an essential difference. At the same time, my general judgment is that the cost is probably about the same.

I want to make a little explanation there. The conditions of service on two parallel railroads might be such that the cost on the one would be very much greater than on the other. That is a certain, specific movement of traffic, under certain conditions.

For instance: Say the Burlingon had traffic from St. Louis to St. Joe, traffic both ways. It balances itself, and makes the traffic reciprocal. And the Missouri Pacific has traffic which runs only one way, and there was no reciprocal traffic in the case of the Missouri Pacific, it might add 25 per cent to the cost.

Q. How could there be that condition for the Missouri Pa-
7437 cific and the Burlington when they run between both points, both ways?

A. The Missouri Pacific might not get the eastbound freight and the Burlington might get it all. That would create a condition of business.

Q. That is the commercial condition that they would undertake to have the Traffic Manager correct?

Mr. HAGERMAN: That is what he said. There might be certain conditions where it would not be the same.

Mr. LEHMANN: I am speaking of operating conditions.

A. If a railroad of the same length, the same grade, the same tonnage, and the movement is substantially in opposite directions, under the same conditions and circumstances, I take it there would not be practically *not* any difference in the expense of handling the business.

Q. The Missouri Pacific hauls between those two points is inter-

state. The Burlington is purely a state haul between St. Louis and St. Joe?

A. Yes, sir, the route they take. The Missouri Pacific goes into Kansas.

Mr. HAGERMAN: I would like to put on the record that the Missouri Pacific, in going from St. Joe to St. Louis, crosses over into Kansas, down to Kansas City, Kansas, and then on from there through Missouri to St. Louis. Whereas, the Burlington is wholly within the State of Missouri in its line between those two points.

The COURT: That same situation is true, without going into details, between Kansas City and Joplin. The Missouri Pa-
7438 cific is wholly in the state, the Kansas City Southern is a part of the time in the State of Kansas.

Mr. HAGERMAN: Well, I am speaking of the Chicago Great Western between St. Joe and Kansas City, being in the same condition as the Missouri Pacific, running into Kansas and then back to Missouri. Then the M. K. & T. as to the Joplin district is in the same situation, part of the time in Kansas, and then coming back into the State of Missouri.

Mr. LEHMANN: Now, the difference in expense of hauling freight over those two roads, you would not attribute to the fact that one was a state line and the other was an interstate line, would you?

A. The difference in expense in handling?

Q. If there was any difference in expense, you would not say it was simply because one of those was out of the state for a distance, while the other kept entirely in it. That imaginary line would not make the difference in expense?

A. No, sir, the state line is an imaginary barrier except in the case of the Missouri Pacific going to St. Joe, they make this bridge crossing.

The COURT: You mean an imaginary line, except as between men of different political faith.

(At this point a recess was taken until two o'clock p. m.)

7439 KANSAS CITY, MISSOURI,
WEDNESDAY, *November* 11, 1908.

(After recess on Wednesday, November 11, 1908, the following proceedings were had:)

The COURT: From conversation during the noon hour, I am led to believe that there is a misunderstanding in regard to this matter. I thought I covered it yesterday afternoon, but apparently not.

We are now trying the case of the St. Louis & San Francisco road versus the state officers. Mr. Doddridge was put upon the stand by Mr Hagerman to testify as to the railroad situation and conditions and theories generally, which properly opened up the entire subject matter for cross-examination, for which there is not the slightest criticism or objection, and there could not be. We are working under order heretofore entered of record, that the evidence taken in one case, so far as germane, shall be considered as evidence in all

the cases. Mr. Doddridge's evidence given here illustrates the propriety of that. We take this evidence once rather than eighteen times.

But the evidence of no witness will be received, whether counsel objects or not, but the objection will be made by the Court, who undertakes to testify to a line of evidence that is applicable to any other road, particularly and individually, until we get through with the Frisco case.

I do not see how I can make that plainer by any elaboration.

7440 When the St. Louis & San Francisco Railroad rests in this case, the defendants will put in their evidence.

I am going to conclude the case that is on trial.

I said yesterday, and I repeat it, that the order of October 5, to the effect that these cases will be tried in their numerical order, is modified, believing that the counsel in the end will agree that we shall try three, four or five cases, as types,—roads that would naturally belong to a certain classification, such as you consider strong roads and weak roads and the roads in between.

If counsel do not agree, I shall get such information as I can, and make the classification myself, and try two, three, four or five of these cases, just what number I am not now ready to state.

Now, again, during the noon hour I heard agreements suggested, and inside of fifteen minutes from the time I heard one agreement suggested, I heard it denied. I mean by denial, that the parties did not so understand it.

I have heretofore said that I will not recognize any agreements in these cases unless they are signed and filed with Miss Utter, the Clerk, and in saying that, I utterly disclaim any criticism of any of the counsel personally. There is not a lawyer connected with these cases, (if you want me to say so in your presence) who would intentionally violate an agreement, but it takes no one to make me believe that lawyers understand them differently, and the same result is reached.

If you gentlemen have any agreements, reduce them to
7441 writing and file them with the Clerk of the Court.

Now we will proceed with the trial of the St. Louis & San Francisco case, and Mr. Doddridge testifying not only as to the St. Louis & San Francisco Railroad, but as to the general situation in Missouri, and his theories and opinions as an expert.

Mr. LEHMANN: I have not used any other road except the Frisco, except for illustrative purposes.

The COURT: That is all right, Mr. Lehmann.

Mr. HAGERMAN: His opinion as expressed in his testimony, and his familiarity as to the Cotton Belt and the Missouri Pacific, bear upon the entire situation as to cost.

I brought these matters up, not on account of the testimony, but what occurred during the noon hour.

Mr. KENNISH: As to the agreement of selecting the roads as types, there was no agreement made that I know about, but we had a talk

during the noon hour, and I think probably by tomorrow morning we can agree, or if not, it will be left to the Court.

The COURT: The particular agreement I had in mind is that you and Mr. Ladd presented one agreement, and Mr. Lehmann another, showing that you gentlemen were at variance. Hence the necessity of reducing them to writing and filing them with the Clerk. You and Mr. Ladd had one notion of the agreement, and Mr. Minnis for the Wabash, and Mr. Lehmann had another.

Mr. KENNISH: We thought if we agreed as to the roads to be selected, there would be no necessity for an agreement
7442 as to those not to be tried.

The COURT: Reduce them to writing. I do not think any of you should feel that this is any criticism upon you.

7443 Cross-examination.

(Continued by Mr. LEHMANN:)

Q. Mr. Doddridge, in the course of the work you have done to prepare yourself for testifying in this case, have you made up a comprehensive statement of any kind which embodies what you conceive to be the different elements of cost, and upon which you base your general conclusion? Have you anything in shape in compact, concise form?

A. I have written out the headings of the various elements of what I consider the elements of extra cost, and we have gone over it in the testimony, covered it all, but not in any numerical order, or the order in which I have prepared it.

Q. Have you a tabulated summary of it?

A. Not of the figures, no, sir.

Mr. HAGERMAN: You have nothing more than a mere memorandum?

A. Yes, that is it. Only a memorandum of headings.

Q. It is hardly an abstract, is it?

A. No, sir, it is not.

Mr. LEHMANN:

Q. You have not anything prepared which would serve as a concise summary of your testimony?

A. No, sir.

Q. In the matter of your local or way traffic, isn't it the usage for consignees to unload the car?

A. Carloads, under certain conditions, sometimes.

Q. Aren't those conditions peculiarly applicable to way or local freight, both state and interstate?

7444 A. They are applicable to certain commodities, yes.

Q. More so than to through freight?

A. Through freight of course is handled practically in the same way; that is, the same kind of commodities, even if it is through freight, when it arrives at its destination.

Q. What I mean to say is, merchandise, that class of freight is handled by company employees; other cars are loaded and unloaded by the shippers. In the large commercial centers, it is more of the

freight that is unloaded into stations or warehouses, or whatever you choose to call it, than at way stations?

A. I did not get the idea of that.

Q. Say in your large commercial centers, like St. Louis, Chicago and Kansas City, the greater proportion of the freight goes into the warehouse than at the small stations?

A. Yes, sir, because there is a greater proportion of that class — freight handled at those large centers, and it goes to the warehouse.

Q. That involves, of course, an expense, naturally, unloading from the car into the station house or warehouse?

A. Expense for labor, yes,

Q. That is an expense which is, in large measure, peculiar to the large commercial centers?

A. The volume of business is much greater at the large commercial centers, and hence there is more of it.

Q. While at your way station, your carloads are unloaded by the consignee?

A. Carloads that are unloaded by the consignee, at a way
7445 point and at the large centers, is governed by the rule prescribed in the tariff as to that particular thing, as to whether it shall be handled and loaded or unloaded by the consignee or consignor.

The proportion of that class of business as between a large center and a small station, the relative proportions are governed entirely by the relative proportion of the business. There is more of it, of course, handled at large places, because the place is larger and receives more business.

Q. For example, in St. Louis, business for a very large part, through business, to go out of the state, is delivered to the St. Louis Transfer Company at its station or warehouse in the City, and is by it teamed to the station, and that expense is absorbed by the railroads. Or, rather, practically speaking the work is done by the railroad companies using the agency of the transfer company?

A. Yes, sir.

Q. That is rather expensive service?

A. Yes, sir, that is expensive service.

Q. And relates practically only to interstate service. There is not the same kind of service applied to traffic at way stations?

A. No, sir, because those conditions do not obtain at the way points.

Q. Is there something similar, with respect to the St. Louis Transfer Company, which obtains with regard to the Cupples station? Don't they do a lot of work, warehousing and handling,
7446 which is absorbed by the railroad companies?

A. Of the Cupples station?

Q. Yes, sir. Don't they operate very much like the St. Louis Transfer Company?

A. I do not know about that. They handle a great deal of less than carload freight at the Cupples Station, but what reference that has to compensation, I do not know.

Q. The Cupples station serves virtually as a station for the railroad companies in St. Louis?

A. It is practically a sort of union local depot, in a way.

Q. And it is made up of expensive buildings, and expensive properties?

A. Yes.

Q. What is the average cost per ton of handling merchandise in the Central Freight territory, at the originating and condensing stations. How much per ton would that average—about 24 cents?

A. I don't know. I should judge 24 cents would cover it.

Q. Your train crews never unload anything except parcel freight, do they?

A. Load or unload? They do both, less than carloads.

Q. I mean to include both loading and unloading.

A. Yes, sir.

Q. Is the handling of straight carloads at way stations more expensive than breaking up or setting up of trains at the large terminals?

7447 A. Per car, you mean?

Q. Yes.

A. I think the cost of handling those cars, either at the large terminals or at the smaller stations is practically the same per car, for the reason that the number of cars handled at the small stations is comparatively so small in relation to the expense, as compared to the large points, where they handle a great many cars, that the average cost per car would probably be found, if it were investigated, to be very nearly the same.

Q. Have you investigated that, and would you be willing to give your opinion as an expert who has inquired and informed himself, and has a definite opinion of his own on that subject?

A. Not as to the State of Missouri. I had occasion to read up the testimony covering that sort of condition, with reference to Chicago and Wisconsin and Minnesota, and it was so stated there, and so proven by the figures submitted, and that is what I based my answers on, except the general knowledge that would appeal to me, that that would be about the situation, and that it would work out about that way. I have always had that idea. I might be wrong.

Q. When a train comes in to one of these large terminals, it runs into the classification yard, doesn't it?

A. Yes, if there is a classification yard.

Q. If it is a well organized terminal they have a classification yard, haven't they?

A. Yes, they have one here.

7448 Q. And they usually shunt cars in and out on the tracks. For instance, say a train comes in on the Southern at East St. Louis. There is where they do the classifying of freight for the St. Louis terminals?

A. Yes.

Q. The train comes in on the Southern, and while it comes in as a trainload, it may have cars for each one of the other railroads touching East St. Louis, in whatever direction they may go. It comes in to that classification yard, and each receiving line has a track set apart for it. They run it onto the hump and let the car

run down. And then they back and fill, until they have distributed all their cars.

That is rather an elaborate operation, and somewhat expensive, isn't it?

A. Yes.

Q. Then it has got to be hauled from that track by the Terminal to the receiving track of the road which is to take it beyond the terminal, hasn't it?

A. They carry it to what they denominate the transfer track.

Q. That serves as a receiving track?

A. Yes, sir.

Q. And the Terminal operation as a rule, waits until they get enough cars on the classification track, until they make it worth while to pull them off?

A. Yes, sir.

Q. So about thirty-six hours is the period for going through that work, isn't it?

7449 A. I don't know about East St. Louis. I am not informed.

Q. I mean to get it through the Terminal and get it from the delivering line to the receiving line.

A. As to the conditions that exist at East St. Louis with respect to transferring there as between the several roads, I am not familiar.

Q. At the way stations all they do is to set in the empties, the car is loaded right there on the side track, and they pull it out. That is a much simpler operation, isn't it?

A. Yes, it is simpler, but at the way station that comparison is hardly a fair one, in my judgment, for the reason that in the classification yard at East St. Louis, I should judge that thousands of cars are handled every week. Whereas, at the local point, such as you speak of, there may be only one car handled per day, or one per week, or two per week.

In order to make a relative comparison by way of analysis of the two operations, you have to have all of the conditions given, the number of cars, the time and the expenses.

Q. That is true, Mr. Doddridge, but by that method you make comparisons that are not clear. They are nothing more than approximate?

A. Just approximations.

Q. You have, of course, an enormous difference in the expense of the property that constitutes the terminals in the two properties?

A. Yes.

Q. That difference is enormous, because your side track

7450 in the country costs you but little, and is usually a part of your ordinary right of way, isn't it?

A. Yes.

Q. You do sometimes, but not to any extent, go beyond the ordinary right of way, in the bulk of the side tracks in the country?

A. That is true of the small places.

Q. While, of course, in the city you must get property that you pay for at enormous rates?

A. Yes, sir.

Q. Haven't you as a rule, too, higher salaried agents at the large commercial centers, and higher salaried assistants and operators there?

A. Relatively, yes, sir.

Q. You put your best men, so to speak, at the most important places?

A. Yes, sir.

Q. And when you find you have an agent in the country, or at a way station, who shows he is capable, energetic and alert, you move him up to town, and move up his salary, also?

A. It should be moved, I think.

Q. Aren't the operations, when you get down to it, in addition to having this higher priced property, which is the base upon which the terminals rest, and the higher paid assistants to do the work, haven't you more actual operation to go through with in either detaching or setting out a car in one of these great commercial centers than at the way station?

7451 A. Yes, because the commercial center or terminal yard is of an entirely different character than that side track along the road.

When the train reaches the terminal and it is broken up and distributive, of course there are all these operations.

But when you come to analyze the cost and pull it down to the unit of a single car, taking into consideration the large volume of business, and the large number of cars handled there, I would not be surprised if you found the cost per car did not very much exceed the cost per car at the local point.

Q. That is just what I am getting at, the cost per car, because that bears upon this question of relative expense of way and through freight.

Now, take it on the car, or setting it out, in the case of the way freight, at the country station, it is done by the train crew itself. They are right on hand to do that work, and they do not have to go there for that purpose. They are already there in the course of pulling their train over the road, and they lose no time, and can do it as quickly as if they were specially organized for that purpose, can't they?

A. That is one of the elements of extra expense of local freight.

Q. I am now considering that separate element of extra service. We do not want to charge that twice. I want to see how that compares with the same function performed with respect to the through freight. Now, when your through freight comes into the commercial center, the crew leave it. They do not do any of the

7452 local work. They simply attend to the road haul?

A. Yes, sir, that is all.

Q. They leave it?

A. Yes, sir.

Q. It does not follow at all that that whole trainload is for a particular company or for a particular industry. Each car may go to a separate track, and they have got to bring an engine around

there and break up that train, and set up the cars on the proper tracks.

Now, don't you think that distinctive function of simply breaking up the train and setting up the cars on the appropriate tracks involves more labor, and consequently, more expense than that function at the way or country station?

A. Well, the same expense, Mr. Lehmann, at that terminal, is common to all the business, both local and through.

In order to make a relative comparison, you must bring it down to some unit, and that unit probably would be the carload or the car. Divide the total expense by the number of cars handled, and then you could ascertain which would cost the most.

In the case in Missouri, I admit I never have figured that out, and the only place I know of where it has been analyzed and figured out thoroughly and carefully for the purpose of determining the reasonableness of rates is in the case I have spoken of, this Wisconsin case, where the actual costs in the City of Chicago were ascertained, and also the road cost and the terminal cost in the country, and it was found to be relatively the same.

Q. Was that in litigation?

7453 A. It was before the Commissioners in Minnesota. It was in an argument where it was necessary to ascertain those factors the question of the application of certain tariffs which the Commission proposed to put in.

I would say those figures were prepared by Mr. A. B. Stickney, and are published.

Q. We can hunt those up?

A. Yes, sir, you can get the exact figures.

Q. You say that charge to which I have referred there, at the commercial centers, would be common to local and through freight.

It would not be common to state and interstate, would it? I can see it would be common to local and through, but not to state and interstate. The very fact that it came from East St. Louis would show it was confined to interstate.

A. Considering East St. Louis as the terminal, then of course the whole thing would be interstate.

But the underlying principle is that this is all handled together, in the local yard, state and interstate.

Q. But we must differentiate between state and interstate instead of between local and through.

You said there was an extra brakeman employed on these local or way trains. Weren't they dispensed with? Do they use them now?

A. I am not informed whether they are in use now.

Q. I am informed that they are not. That only comes to me as a suggestion, and I do not state it as a fact. I asked you only

7454 because of the suggestion that came to me.

A. I will say this: That during all my transportation experience we always employed on any local line that had any considerable amount of local business, three brakemen; on the local trains, and two on the through train——

Mr. EVANS: That extra man was to assist in loading and unloading freight?

A. The extra man was employed to assist in doing the switching at the station, and to load and unload freight.

Q. Air-brakes that are in use now would not change that at all?

A. No, sir, not so far as his duties are concerned.

Mr. LEHMANN:

Q. Do you know whether he is still kept?

A. It may be that on some of the roads, or possibly all, there is a change in the number of brakemen carried on the local trains. If there is, I have not heard of it. I do not think so. There are a number of superintendents here who could testify as to that.

Mr. EVANS:

Q. The work is still there, the loading and unloading of the freight?

A. Yes, sir.

Mr. LEHMANN:

Q. You said in your direct examination that the train mile on the way train, the cost was double that of the cost of the through train. Have you a table which states concisely the elements which make up that double train mile cost?

A. No, sir. I haven't it in tabulated form, but I can state the double cost arises out of the increased rate of pay and the
7455 additional brakeman, if he is carried.

Q. What I would like to have, if you have it in shape so you can present it reasonably compactly, is that cost.

You are speaking there of the operating expense of running the train?

A. Yes, sir.

Q. You are not speaking of common expenses?

A. No expense except the labor, the coal and the actual expense of moving that train.

Q. That is what I assume.

Now, I wonder if you have put it in a form, a concrete example, in your various papers. Of course you would have to do some figuring to reach that result.

Do you know what the average cost per train mile is for the operation of through trains—you had reference, I presume, to freight trains?

A. Yes, sir, we are talking about freight trains.

Q. I assumed that.

Do you know what the average cost per train mile for operating through trains in the state of Missouri is?

A. I cannot give those statistical figures from memory. I would not want to do that?

Q. Have you it among the various memoranda you have?

A. I have some of the rates. For instance, I have the rates on the Iron Mountain.

Q. Take that for illustrative purposes.

A. I have not it calculated or combined as to the trains.

7456 Q. I would like to have the raw material on that matter from which that is made up.

A. I will do this: I suggest that you give me the question, and then let me get an exact statement of the fact.

Q. And then take your time to do it?

A. Yes.

Q. That is perfectly satisfactory.

I would like to get a statement in tabular form of the elements entering into the cost per train mile of operating a through train, and the same elements with respect to the cost per train mile of operating a way train.

That will of course show these proportions?

A. Now, with respect to that question I would say that this will be found to vary upon the different roads and upon the different divisions, in proportion to the condition of the local business, and that mileage is double.

Q. You mean the average, the country over?

A. No, sir, I am talking about this country west of the Mississippi River. I do not know what it is east. Some conditions down there are very different.

Q. You would say for Missouri?

A. I would say for Missouri and this southwestern section here.

Q. You cannot state that the one is double the other, unles- you know what each of them is?

A. I gave that as my opinion as an expert, as the average. That is, throughout this section of the country.

7457 I can demonstrate it, for instance, with mathematical accuracy, so far as the St. Louis Southwestern Railway is concerned.

I had occasion to make up such figures for that road.

Now, the same condition that would apply on that road, would apply on the Iron Mountain, which is involved in this case, in Missouri.

I believe on this very point there was testimony in the first hearing of this case, covering this ground, all of it. It was definitely testified to by the Superintendent of the Missouri Pacific road.

Q. If that is so, I am at a disadvantage in not having heard that.

A. Isn't that true, Mr. Hagerman?

Mr. HAGERMAN: I think so.

A. That is my recollection.

Mr. LEHMAN:

Q. You stated on your direct examination also that where the local business was heavy, there was an increased yard expense for switching, and matters of that kind?

A. Yes, sir.

Q. You made that statement in connection with the statement that on the revenue basis it costs twice as much to earn a dollar in state freight as in interstate freight.

Does not any difference which may exist, whether it is large or small, between the expense of state and interstate business, diminish as the state business becomes more dense?

A. It diminishes *that* when the business has acquired a
7458 certain density. The railroads at a given set of rates must carry a certain volume, or density of traffic, to pay its expenses, before it can make any money, without much regard to what the rates may be, whether high or low.

Or, in other words, you cannot make the rate high enough if you were not doing but half enough business to pay expenses. The expenses commence to diminish after the density of traffic reaches a paying basis. Then as the density increases, the ratio of all the expenses in almost every direction, except certain common expenses, go down.

Q. Let me suggest, Mr. Doddridge, that I think you are confounding two different things.

You make the statement that the cost of the state business on the revenue basis is twice that of interstate?

A. Taking the revenue basis?

Q. Yes, that is the basis on which you were testifying?

A. Yes.

Q. I assume you reached the conclusion that was the actual relative cost of doing that business.

Now, from the revenue viewpoint, does not the relative expense of state business decrease with the increase of the business itself, for the manifest reason that at your way station you have got your station structure; you have your agent, whether one piece of business comes in or twenty; and the more business, the more there is to distribute the expense over. The more business you have, the more revenue you get, and, therefore, the relative cost of making
7459 that revenue is reduced, while it may still cost more than it comes to.

But isn't it reduced exactly with every increase in the volume of business, and does not that decrease of cost continue until you get to the point where you have got to get more men, and even then it continues because it is profitable—that is, provided you can use more men?

A. As the density of local traffic increases, of course the unit of expense decreases. That is what you mean.

Now, then, the same principle naturally applies to the other classes of business.

One class of business but rarely increases without a proportionate increase of all. So the proportionate relations, one to the other, are not much changed, although the net result of the whole may be better.

Q. Mr. Doddridge, I agree with you that as the state business increases the interstate will increase, and as the local traffic grows, the through traffic will grow.

But as you get it very dense, will not the relative cost of the local or state traffic diminish? In other words, if you could run your train from station to station, and run them full, if you could bring

your freight terminals nearer together, you have your property in use all the time. Wouldn't the relative cost decrease?

A. Yes, sir, it would, if you could increase or build up the density of your local business sufficiently to a certain point, then it would become ultimately a profitable business in itself.

7460 But we are considering the conditions existing in Missouri from west of the Mississippi River, at the present time.

Q. You say one element of increased cost is the increased damage to equipment.

Isn't that in part due to the fact that the local freight service gets the second-hand clothes, again? The nice, spick and span new cars that come out of the American Car & Foundry Company go into your through service, don't they?

A. I hardly think that applies to the freight business.

Q. Don't you think it does, pretty generally?

A. In handling local business, the damage depends on the local switching, upon the hurry in which it is done, and the character of the work and business.

A through train when made up goes over the road with a straight-away haul. The local train takes its cars, places cars at elevators and so on, and things of that sort.

Q. Isn't it true, as I have stated, that the new equipment in the main goes into the through service?

A. I don't know of any reason why new freight cars should not go into the general service.

Q. I am asking for the facts.

A. That I do not know. I do not know of that being done particularly, although it may be in some special cases.

Q. Another element to which you referred was the spasmodic character of the business. Haven't you the same spasmodic feature in the through business?

A. Not to the same extent, in the local business. For in-

7461 stance, in the southern part of Missouri where they raise cotton, the cotton movement begins about the first of September, and for the next three months there is a great big rush of local business, more than these roads usually can handle, in that direction. Then after that passes, the business dwindles away, and in the Spring of the year there is scarcely any business.

Q. And isn't that cotton business almost entirely interstate?

A. That has not been determined, whether it is interstate or not. In Arkansas, where it goes to the local compress, it involves a great deal of work.

Q. The cotton business in Missouri would be purely interstate?

A. I think it is. But that is a commodity which creates a certain condition which I wanted to illustrate. But there are other conditions not so pronounced as that; but it makes a fluctuation in the business.

Q. The cotton raised in Missouri is not in large quantities is it?

A. No, sir, but there is some cotton raised in Missouri.

Q. And the hauling of that is all interstate business?

A. I don't know about that.

Q. It is largely so?

A. I think it is largely so, yes.

Q. Is there reciprocal business induced by that? The people begin to buy things as they ship and sell their cotton?

A. Well, I don't know that that produces any special effect
7462 I want to explain what I meant there. I want you to get the idea of what I meant by the spasmodic character of the business.

At certain seasons of the year, the local business is relatively very much heavier than at other periods of the year. There are dull times when there is not much to do. It is impossible for the railroads to keep their expenses along the road to correspond with the fluctuations in the business. Therefore there is a period when there is surplus labor, when they have labor not employed, making the unit of cost of handling that railroad business much higher than that fluctuating business.

Q. Is that peculiar to state as against interstate business?

A. Yes, much more pronounced in the local than in the through business.

Q. Is it peculiar to state as distinguished from interstate business?

A. The difference is this, as between the state and interstate business: There is a better opportunity, when the volume of interstate business falls off, to regulate the expenses. There is a better opportunity than there is in the local business.

Q. In what respect can that be so?

A. In respect to the train service, for one thing; and in respect to the station service, where the traffic is very light.

For instance, where a railroad station employs two men at the local station all the year round, and where their duties may be
7463 part of the year very light, there is no way of curtailing those expenses to meet the necessities of the business or the volume of the business. The train service is the same.

That is where we bring in again that fixed arbitrary train service.

The through business or the interstate business, when the volume of traffic falls off, the trains are not run, hence the expense stops.

Q. But the greater part of the business done by that arbitrary fixed train is interstate business?

A. Yes, that is true. But the other part, which is state business, constitutes the bulk of the state business.

Q. The bulk of the business that is done over the roads in Missouri is done from commercial centers to local points, or from local points to commercial centers, whether that may be state or interstate, isn't it?

Let me illustrate my meaning.

Take jobbing centers, for example, not only St. Louis, but Springfield and Joplin and St. Joe and various other places in the state which do more or less jobbing. Aren't those the places that furnish the largest proportion of the in-freight to the way stations?

A. The state freight is distributed from those trading centers. You take a little station on the Frisco road, the groceries and the

dry goods and the things that supply the wants of the people
7464 who trade at that station, come in from jobbing centers, regardless of whether those jobbing centers are in the state or out of it. Some are in and some are out. They are pushing for trade. That business, whether it is state or interstate, is still handled in the local trains, isn't it?

A. It is. I want to qualify that. I say it is handled on the local trains, if it is consigned to the local point; it is handled on the local train if it has destination at a local point in the state, on the divisions.

Q. You may load up a car and run it through on the first division; then it becomes local afterwards?

A. Yes, sir.

Q. When you are breaking your bulk along the road?

A. Yes, sir.

Q. But there is a good portion of the freight coming into the different stores in these little towns that is package freight, isn't there?

A. Yes.

Q. And the Cupples Station handles a good deal of package freight, doesn't it?

A. I understand it does, yes, sir.

Q. Those people at those way stations buy wherever they can buy to the best advantage, or where the traveling man persuades them to buy. It may come from St. Louis or it may come from Memphis—Memphis is a jobbing point too?

A. Yes, sir.

Q. And there are jobbing points scattered all around?

A. Yes, sir.

7465 Q. That in-freight may be handled in part as through freight, over the first division of the road, and then it will be handled as local freight?

A. Yes, sir, but that kind of freight you are now talking about is mostly interstate freight, I take it.

Q. I am inclined to think it is. I am inclined to think that is mostly interstate freight. But take the bulk of that kind of business and it does not come from any one point to these stations?

A. Yes.

Q. That is an expensive kind of business to handle?

A. Yes, less than carload freight.

Q. And on account of being high in value?

A. Yes, sir, high classification.

Q. And somewhat subject to injury?

A. Loss and damage.

Q. That is a material element?

A. Yes sir, that is a material element.

Q. You made the statement that the less than carload freight required from fifteen to twenty cars to produce the ton mileage that one car engaged in through interstate traffic would produce?

A. Yes, sir.

Q. I would like, if you have them, to get the figures or sources from which you made that estimate.

A. The figures and sources are based on the light loading of way freight cars.

7466 For instance, suppose as at some stations in Missouri, in the Missouri cases, under the tests we made of the various stations, my recollection is that Sedalia sent out local cars with an average loading of 1500 to 2000 pounds, to be distributed. That is one of these trading points you have just been talking about. That car would go up the line and perhaps be entirely unloaded within 100 miles. The capacity of the car would be thirty tons; it is loaded with less than one ton. There are twenty-nine tons really of vacant capacity or space in that car.

The average loading, where the business is very heavy, like at St. Louis, where a very large amount of merchandise is sent out, and where those cars are loaded for distribution, they get in not over six tons. That would be good loading of merchandise for distribution.

That car, as soon as it reaches its local division, if it is on the first division, they commence to empty it. In other words, that tonnage tapers down to nothing.

Now, you take the average loading of through freight, such as grain, flour, stone, or coal, and all those things, and you find it amounts to over twenty tons to a car.

Then you take into consideration the time consumed by the local cars in performing the journey, from the point of origin to the point of destination, and apply that to the number of ton miles the car produces, and compare it with the other, and in practice it will be found to run fifteen to twenty. In some cases it would not run as high as twenty; twenty would be extreme.

7467 Q. Isn't your fifteen to twenty extra based upon extreme types of the two kinds? In other words, you have taken the highest capacity car engaged in the through interstate traffic, running it on its best time, against the lowest quality of car of the local traffic.

Railroad companies keep an account of the movement of all their cars, don't they?

A. Yes, sir, they do.

Q. They have car accountants?

A. Yes.

Q. And they have a record of where every car goes, every trip that is made?

A. They keep its mileage, yes, sir.

Q. And its destination?

A. Yes, where it goes.

Q. And its use?

A. Yes, sir.

Q. They can tell absolutely what the relative use made of cars is from their books, without guessing at it?

A. Well, that is to say, they can determine of course the operation of any specific car, but they do not undertake to do that in that way.

Q. But they have the means within their power for doing it. They can take the mileage of their cars, and they can take the ton-

nage of them, and they know the service in which they have been engaged?

7468 A. They could not arrive, for instance, at an answer to a question of this kind, as to the amount of equipment required to transact a certain kind and class of business as compared with another kind and class of business, unless they took the general average results of all the different kinds. They could not determine it by taking a special, individual car, and tracing it out.

Q. They know they have so many cars, and that so many cars were engaged in through interstate freight, and made so many miles, and carried so many tons. They know so many other cars were engaged in local service, and made also so many miles, and carried so many tons. That they have the means of determining.

Now, the disparity you speak of in productive power, measured in terms of ton mileage between the through interstate car and the car engaged in state traffic, applies also to the car engaged in local interstate traffic—that is, your through interstate car——

A. It does, so far as it goes.

Q. That is just as applicable to the local interstate as to the local state traffic, isn't it?

A. The local state traffic is practically nearly all carried on the local trains, nearly all of it.

Now then, the interstate traffic, which is carried also, is a very small part of the interstate traffic of the trunk line railroads.

Q. But it is a very large part, and is the major part of the traffic carried on those trains?

7469 A. On those local trains I believe that is correct. And that particular interstate traffic costs very nearly the same as the state traffic, so far as it goes, and in the amount of equipment required to handle the local business——

Q. And—— Mr. Doddridge, I don't mean to interrupt you at any time.

A. I was going to give you an example in the case, say of the transportation and distribution of oil, where the railroads run cars for that special purpose in the state business, to distribute coal oil, where they are run at stated intervals, whether they have very much oil to go or not.

Q. Now, Mr. Doddridge, are you able to state what relation the interstate tariff rates bear to each other? That is, the tariff on local interstate and the tariff on through interstate as fixed by the railroads—that is, generally speaking.

A. I am not specifically posted on tariff adjustments.

Q. For example, what I have in mind, assuming now that the railroad fixes the rate itself, and that it fixes the interstate through and the interstate local, and the state local. Now, what sort of proportion will there be between those rates? You have indicated that if they fix the local state rates, that on the basis of cost, it should be four times that of the interstate rate.

Now, what relation should the local interstate rate bear to the local state rate?

Suppose we made a charge of four dollars for hauling some stuff

in the local state traffic, the conditions being equal, and we
7470 will say it is two dollars in the local interstate, and one dollar in the through interstate. Is that about the way you would put it?

A. I don't know whether it would figure out that way.

Q. I want to get your idea. I put it arbitrarily, of course.

A. You understand this testimony which I gave was with reference to these transportation matters, in the original hearing of the Missouri cases, and after looking into the matter I testified and gave it as my judgment that the local or state freight cost from three to six times as much as the through business.

Q. As the through?

A. That is the way it was stated then.

I want to make this clear, so we will all understand it alike. That referred to the transportation expenses of the road, which is about fifty per cent of the whole. That was my idea of the average, and I took that range, from three to six, because in some cases it might run away beyond six, and in some cases it might run slightly under three, but I took that range because I believed that to be right.

Applying that to the increased revenue per ton per mile and the cost per ton per mile on the figures made by the company and which I do not make, I found that was equivalent, on the ton mile basis, to four times per ton per mile, according to those figures, and then reduced further to the basis of earnings, dividing the ex-
7471 penses on the basis of earnings, it was the equivalent of double the local earnings, 100%.

The tonnage figure I based that on, if I recollect, is on the Iron Mountain figures, or figures I got from there.

That would mean that on the ton mile theory, multiplying it by four, took into consideration all the expenses.

Q. You have taken two classes of traffic. It appears now we have four. We have the through interstate; we have the through state; we have the local interstate; we have the local state.

Now, take the through interstate, which would be the highest class of traffic?

A. The less than carload traffic.

Q. I am taking carloads now—or, take it all. The highest class, I take it, is the through interstate?

A. The through interstate traffic is the lowest cost traffic.

Q. That is what I mean. That stands No. 1 in that respect?

A. Yes, sir.

Q. Next to that, I take it, would be the through state?

A. The next would be the through state, yes, so far as the cost is concerned.

Q. That is what I am dealing with now.

Next to that would be the local interstate?

A. Local interstate, yes.

Q. And next to that the local state?

A. Yes, sir, the local state last.

Q. Now we have the four classes.

7472 Taking it now on the ton mile basis, and starting with the through interstate for a given amount of service, we will say, that costs $10 for a given amount of service.

How much, then, would you say that given amount of service would cost in through state, on your basis? How much additional would you assign for that as the result of your investigation?

A. I do not believe I would care to undertake to demonstrate on that kind of a system of figuring.

Q. Could you give any particular reason why the through state should bear a higher rate of cost than the through interstate? That is, any appreciably higher rate of cost?

A. There would be, of course, the two terminal costs to be applied to it, and then, of course, the conditions under which that traffic is transported would have something to do with its cost. If you had that through state freight from Kansas City to St. Louis in train-load lots, like you do the other, and carried it just the same as you did the other, then the train cost would not be any greater.

Q. What percentage of increase would you add there? Give me your best judgment on that.

A. Well, you would have to know something about the conditions. You would have to know about the volume of traffic.

Q. Assuming the conditions as you found them to exist in your investigation.

A. If the through traffic across the State of Missouri on one of those trunk lines, and it was furnished under exactly the same conditions, the same volume of traffic, in carload units, then
7473 there would be no difference between one kind of carload and another.

Q. Now you are not prepared to suggest a percentage of increased cost which the through state bears over the through interstate?

A. Not without I had definite knowledge of the relative volume and conditions.

Q. We will pass from that.

We have assumed that the next class in rate of cost is the local interstate.

How much percentage of increase would you assign to the local interstate over the through interstate?

A. I would say that class of business would cost the same as your local freight, as your state freight, so far as transportation is concerned, less the expense of the two terminals, or the one extra terminal.

Q. I would like your judgment as to the percentage of increase over the cost of the through interstate, would you make it twenty per cent higher?

A. You would have to ascertain that as applied to this particular business on the main line. You would carry that interstate freight on this local train.

That local train, we have stated, on the average costs double.

Q. What I am trying to get at——

A. But you have to reason it out. You know you have asked me a special question, and you want my opinion. You must reason

it out and consider how that freight is going to be handled,
7474 in what kind of a train and in what quantity, and at what cost, in order to get at the relative per cent between the other trains.

Q. Taking the conditions as you found them to be.

For example, we have a starting point here. We have taken the through interstate at $10. Now, we have a finishing point. The local state you would put at four times that, wouldn't you?

A. The local freight I am talking about now—we are talking about the general average condition throughout the state. If you select a main line here, if we take the trunk line across the state, and deal with the business on that trunk line, and eliminate the branches, and eliminate all the other lines in the state, then we will get another set of conditions, and another set of results.

7475 Q. Can you get an average unless you know the elements which make up your average? How can you tell what the percentage of doing the local state business is, as against the cost of doing the local interstate business, if you do not know the cost of doing the local interstate business?

A. Well, to figure that out we would have to know all the conditions.

In the first place the local train costs twice as much to run as the other one.

Then you must figure out what results that train produces in ton miles in both classes of freight. That is what that freight will cost. Except in the case of the interstate local freight you have but one terminal to charge for. You have one more terminal to charge for state freight than you have to charge on the other. That would be the difference.

Q. We have four classes of freight here that have some elements of difference and some elements in common.

You take the through interstate freight and the local interstate together, and you have testified that the ton mileage on those two kinds of freight taken together, which would produce ten dollars, the same ton mileage if produced by the through state and the local state would cost forty dollars.

How can you reach that conclusion without being able to make a statement of the relative cost of producing the ton mileage as between local interstate and local state and as between through state and local interstate.

Have you taken in your estimate all the elements into
7476 account or have you assumed that the rate is four to one on the ton mileage basis?

A. I have assumed that the average rate is four to one on the ton mile basis, taking it as an average throughout the state but not as applied to any particular line or especially to a trunk line. Because if you undertake to "expert" the conditions of cost on particular lines then you must take all the elements and the conditions and all that on those particular lines. You must consider that by itself. Then it might be you would reach an entirely different result.

Q. Taking into consideration the same elements and all the elements that you did when you fixed the ton mile cost of state freight at four times the ton mile cost of interstate freight, what is the relative cost by the ton mile of the local interstate freight as against the through interstate.

Take the same conditions, the same circumstances, the same scope. In other words, make the comparison between through interstate and local interstate instead of between state and interstate.

A. The cost of the local interstate business would be the same as the state business, with the exception of the expense of the one terminal. Otherwise there would be no difference.

Q. I would like to have that stated in terms of percentage or proportion as you have between the state and the interstate.

7477 Would the local interstate cost twice as much as the through interstate per ton mile?

A. I do not care to state it in that form because it might not check out if it was re-calculated by an accountant. I have only given in this matter my opinion based on such investigations as I have made——

Q. That is just what I want as to this.

A. Without attempting to make analytical examinations in various organizations. I have tried to arrive at the averages.

Q. Now, Mr. Doddridge, I would like your best judgment as to the relation of the local interstate cost per ton mile to the per ton mile cost of the through interstate.

Would it be three times as much. Give us your best judgment on that.

A. Three times as much.

Q. Three times as much for local interstate per ton mile as for through interstate per ton mile.

A. Let me understand the question. That is, on the ton mile basis?

Q. Yes.

A. My best judgment is it would cost three times as much.

Q. Three times as much?

A. Yes, sir; or perhaps more.

Q. If anything, more?

A. We are talking about interstate local business?

Q. Yes.

7478 A. Carried on local trains?

Q. Yes.

A. Distributed the same as any other local business?

Q. That is what I mean by local interstate.

A. No difference between the cost of that and the other except the difference in the cost of the terminal.

Mr. HAGERMAN: Aren't you answering one question and Mr. Lehmann asking another?

A. They cost a great deal more.

Mr. LEHMANN:

Q. I am not referring to less than carloads.

A. You are referring to what?

Q. The local interstate freight.

A. Local interstate freight carried on local trains. I would not want to say that certain interstate freight going into the State of Missouri, that came in in full carloads and was carried under some other conditions, that there would be that relative difference.

Q. Do you mean that some local interstate traffic is carried on the through train?

A. Under some circumstances, yes.

Q. So is a lot of the state freight?

A. The greater part of the state freight is carried on the local trains.

Q. That is largely caused by competitive conditions which secure the favorable consideration of the through traffic, the inter-
7479 state traffic, which comes largely from competitive points.

(No answer.)

Q. Have you made, as applied to any railroad in the state, an analytical statement of the cost of doing these various kinds of business?

A. No, sir; not since this investigation was made in Missouri, something like a year or a year and a half ago.

Q. Did you then?

A. The exhibits of it are on file.

Q. Did you then?

A. Yes, sir; we did.

Q. Did you, personally?

A. I didn't do it personally; it was done under my general direction.

Q. I interpret that as being done by you personally.

A. That is in evidence and is on file, showing these percentages, showing the business of the various stations and it was based on that evidence largely, you know, that we came to our conclusion.

I want to say that I have not made any investigation with reference to the freight matters in Missouri since that time with the exception of certain investigations which are now being made on the Iron Mountain and on the St. Louis Southwestern, with respect to the Arkansas rate case which is similar to this in all respects and
7480 involves the same railroads, although in a somewhat different section of the country and where the conditions are somewhat different but not very different.

Q. Now that there may be no mistake about it there is possibly some confusion,—when you said local interstate would cost three times as much per ton mile as through interstate you had reference to less than carload lots?

A. I had reference to such interstate freight as would be carried in less than carload lots on the local trains or even in carloads. If it was in carload lots then the ratio would be more. There would still be an increased cost. But whether it would be three times as much, I do not know, but it would be an increased cost because you are carrying it on a train that runs at an increased cost.

Q. But what would be your estimate of the increased cost per ton

mile of the entire local interstate carload and less than carload as compared with the through interstate?

A. Well, I don't feel that I can make any statement on that without looking into the figures.

Q. You say the branch line service in the state of Missouri does not much more than pay operating expenses?

A. A very few of them. I do not think I stated all the branch lines. I think I stated that the branch lines as a rule are not operated at a profit.

Q. Do most of them pay operating expenses?

A. Running expenses; oh, yes, some of them do and some do not.

7481 Q. What would you say as to most of them?

A. I would say most of them are not money earners.

Q. But will they pay operating expenses?

A. You mean exclusive of taxes and interest?

Q. No, you might get along without interest but you cannot get along without taxes.

Q. Taxes do not belong to operating expenses.

Mr. HAGERMAN: For operating expenses?

Mr. LEHMANN: That of course is as you choose to determine.

A. That would be charged to income.

I would have to investigate that to say. That would be a subject matter for which we have the figures here I think.

Q. You have the figures here you think?

A. We have all kinds of figures but I would like to look it up.

Q. I would rather get your view about it.

A. I don't want to do too much guessing.

Mr. HAGERMANN: Our statement put in when we dealt with the question of expenses, in the first division taxes are included. When you come to deal with extra cost they are excluded. That is the statement served on the other side.

Mr. LEHMANN:

Q. I would rather get your view because you know figures have a bad reputation.

You stated that in the movement of state freight there was an absence of return or reciprocal loads: isn't that just as true of interstate freight?

7482 A. No sir, not just as true.

Q. Take for example the coal traffic that is carried in coal cars, which are not adapted to carrying anything else. Is not the bulk of the coal traffic of Missouri interstate?

A. I hardly think it is, although I don't know.

Q. Nearly all of it is on the east side?

A. Yes.

Q. We draw our coal from Illinois in St. Louis?

A. The city of St. Louis, yes, but you asked for the state, and the conditions are just the other way here in Kansas City.

Q. You draw coal from Kansas?

A. Yes sir; a great deal of it is interstate.

Q. You draw coal from Iowa and the northern part?

A. Yes sir; a good deal of coal is interstate.

Q. And from Arkansas on the southern part. Don't you rather think that most of it is interstate?

A. Yes sir; there is a large tonnage that is interstate.

Q. There you have no reciprocal loads?

Isn't that true also of your stock freight. Stock freight is nearly all interstate, nearly all out-freight?

A. Yes.

Q. And most of it goes beyond the borders of Missouri?

A. Yes sir.

Q. And that is a large volume of the business of the state.

7483 And you have no reciprocal freight there.

A. The bulk of those cars go back empty.

Q. Another considerable class of freight is that carried in refrigerator cars. That is nearly all interstate. That means fruit, butter, eggs, things of that kind.

A. Yes.

Q. And as to meats, poultry, dairy products, and fruit especially, it is all interstate freight?

A. I should say that is largely so.

Q. I would not say all, but largely so?

A. Yes.

Q. You have no reciprocal or return freight there.

The same thing is true largely about your oil business, tank cars; that is interstate freight?

A. Yes, sir.

Q. You have four quite large classes of freight that are essentially through and you have no reciprocal or return freight: don't you think that would come pretty near compensating for the want of reciprocity in the local business?

A. No, I hardly think it would, because if you take the other tonnage you will find it is freight where you have loads both ways.

Now my impression is that the percentage of that car mileage in through traffic will be found, as applied to the whole, perhaps 25 per cent on the east and west lines. About 25 per cent is empty and the balance of the car mileage is loaded. It seems to me, to

7484 analyze that particular point, the proper thing to do would be to ask the road to put in an exhibit or statement.

Q. They can do that?

A. Yes sir; they have that all prepared. They have their statistics showing the facts.

Q. And show the distinction between state and interstate freight in that respect?

A. No sir; they would not show the distinction there, but they would show you the general results.

Q. There is another class of cars, take furniture cars. That business is all interstate. That is in-freight. That is, we are buying furniture in Missouri. We do not sell it.

A. Yes.

Q. Those cars run empty one way, as a rule?

A. No sir; they are loaded both ways.

Q. Generally; they are permitted to be used, but are they in fact?

A. Oh, yes; they are just the same as any other box car only bigger. There is no difference with furniture cars in respect to loading them if there is loading for them.

Q. The less than carload business is a very small per cent of the total business of all the roads of the state?

A. Of the total tonnage, yes.

Q. Those figures have all been worked up, the percentages of the less than carloads, and so on?

A. Yes sir.

Q. Do you know what the relation between the less than
7485 carload lots is in state and interstate freight?

A. No sir; I have no means of knowing that. I have the reports of the various roads.

Q. In both state and interstate freight less than carload lots is a small element?

A. Relative tonnage, yes.

Q. The bulk of the state business is carload?

A. Yes.

Q. The loss and damage to freight you referred to is mainly to peculiar classes of freight: live stock is one that is peculiarly susceptible to injury, isn't it?

A. Yes.

Q. To delays and accidents?

A. Yes.

Q. That is nearly all through freight?

A. Yes.

Q. The same thing is true of stuff that goes into refrigerator cars; you have damaged fruit and damaged meat and poultry and so on and you have a good many claims made for that?

A. Yes, sir:

Q. Your high class freight, generally—I mean by high class getting away from this cost business I mean the quality of the commodity itself; that which is ordinarily most subject to damage and sustains the largest injury when damaged, runs in your interstate freight, doesn't it?

A. The elements of loss and damage in the state freight,
7486 the reason why that is relatively high is because it is merchandise, supplies, less-than-carload lots handled through the depots. There is more peculation, thievery, and items of that kind to the less-than-carload freight than there is with the other. There is more opportunity for it.

The state freight in tons, according to my recollection of the figures, the percentage is not more than one-fifth of all the business.

Now the other four-fifths, (while there might be damage to live stock which might run into a large sum, or a damage to meats on account of lack of refrigeration, and claims of that sort), is spread over a large volume of business. This other loss and damage is applied in small quantities of business, which makes the ratio go up.

I will say, however, that this item is an item on the books of the company, because those items can be located.

Q. Did you attempt to do that?

A. I said, from my general experience, that is an element of the increased cost but I did not attempt to allocate them.

Q. Of course, personal experience is a little advantage. You might get one loss at Washington, a race horse, and it will spread over a lot.

The Frisco Road charges on that account about two per cent of its entire damage account. I do not know how that is allocated.

The injuries to persons, I understand, on the Frisco Road, is
7487 one-half of 1 per cent of the operating expenses.

A. Operating expenses?

Q. That is what is suggested to me.

So that when you would come to discriminate between the injuries suffered in state trains or state traffic as distinguished from interstate transportation, that would not amount to much.

That is the elements of difference would be extremely negligible?

A. It would not be very much.

Q. It would be entirely negligible?

Don't the companies haul empties a long distance for the sake of securing competitive traffic?

A. They do sometimes.

Q. Don't they also make use, you speak of side tracks at the way stations, aren't they used as yards for the storage of cars until they shall be called into use?

A. Sometimes when they have a surplus they have to put them some place.

A. You do not rush them to the terminal because you often get congested there, don't you. For instance, the roads terminating in St. Louis, do not aim to keep their idle cars, or cars they want to have on hand, ready for use—they do not keep at St. Louis?

A. No sir; I should think they would hold them out if they were not going to use them?

Q. I suppose no matter how active business is you must
7488 have cars ready to put in service. I presume under any condition of business that is so. That is, all the cars are not out all the time?

A. No sir; sometimes they are stored and held for loading.

Q. And the way stations are used for that purpose?

A. Around the terminals.

Q. You mean somewhere around the freight terminals?

A. Around where the cars can be handled.

Q. Where they are likely to be used.

A. Yes.

Q. And that use is made of the side tracks right along?

A. Yes.

Q. Do you have more men on these through passenger trains relatively than you do on the local passenger trains?

A. Those conditions vary on the different roads and what the conditions are today in that respect, I do not know.

When I was in the transportation business we sometimes carried an extra porter on the trains. You are talking about the train crew and not the Pullman people?

Q. No.

A. And sometimes when we wanted to exercise extraordinary economy we used to take the porters off and then put them back again. I do not know what the practice is today.

Q. Your through train had larger crews than the local train?

A. Yes, perhaps one extra porter.

7489 Q. Your through trains are often scheduled for stopping on flag at local stations and they do not stop at the local stations?

A. That is true sometimes.

Q. The agent is instructed to flag the train if he has sold an interstate ticket but not if he has simply sold a local ticket—that is from station, to station.

A number of the roads do a local suburban business—I don't know how about Kansas City but they do at St. Louis.

A. In St. Louis they do a considerable suburban business.

Q. Is that profitable?

A. I don't know whether it is profitable.

Q. Did you take that into account?

A. I investigated some years ago the St. Louis suburban situation and it was not profitable. But whether it is today I do not know. The density of traffic was not sufficient at that time to make it profitable.

Q. Do you know what proportion of the local passenger revenue that class of traffic produces?

A. I do not know.

Q. Mr. Doddridge, when you are dealing with this matter on a revenue basis, the practical result is materially affected by the way in which you apportion the revenue from interstate traffic. As I understand in your estimate you have apportioned the revenue from interstate traffic on a mileage basis between the states through which that traffic runs.

7490 Now I will ask you if this would not be the proper way:

To treat the expenses as assignable to the state in which it is incurred, and to apportion the revenue between the states in proportion to the expenses incurred in each state.

Don't you think that would be the fair way of apportioning revenue and determining what was earned by the different classes of freight?

A. What you mean there is revenue in proportion to expense in each state, rather than upon the mileage run?

Q. Yes.

A. I would not want to answer that off hand without thinking about it and see what the reason would be for that.

Q. The reason I would suggest is this: if you have three states to deal with, for example, and three different companies, and they were all dealing fairly and justly with each other, they would be entitled to make the same earnings upon the labor and their capital, and the

proper charge for the service in each case would be related to the cost that was incurred in each state.

Of course when you have a single company operating over three states, it can apportion the expenses as a purely arbitrary matter. But if I am doing the work in Missouri and you in Illinois, and another man in Kansas the same kind of work, we are entitled to the same treatment.

7491 I am putting it as a matter of plain common honesty; "toting fair."

Mr. EVANS: As you see it.

Mr. LEHMANN: As I see it, of course.

A. Well, it seems to me that is a very important matter and I would not commit myself to that basis without giving it consideration. And another thing I will say,—of course I am not talking as an accountant. These various auditors of these roads who are here are experts in their line and they know all their customs and habits and rules under which they have been distributing their expenses.

Q. I am not inquiring for a custom.

Suppose you have a terminal in Illinois that cost Ten Million Dollars and you have a line of railroad through Missouri that cost Ten Million Dollars; then you have a line in Kansas which cost Ten Million Dollars and a line over in Colorado that cost Ten Million Dollars.

You could not get that terminal service in Illinois or Colorado without paying for it, could you?

A. No sir.

Q. When you come to distribute earnings if it was all earned by the one company, and you apportion it, some should be assigned to each terminal and the rest distributed. And isn't that the method pursued by some companies today in the practice of deducting arbitraries in the division of through rates to cover the expenses of the terminals?

7492 Mr. HAGERMAN: That is not a division as between railroads.

Mr. LEHMANN:

Q. Isn't it in some, as a matter of accounting?

A. Some companies, under some circumstances, make a deduction for terminal expenses before the rate begins. The Union Pacific used to do that at Omaha and also deduct the terminal charge at San Francisco. That is the only one I know of.

Q. You know about the lighterage charge made at Hoboken?

A. Oh, yes.

Q. The average length of the state haul being shorter than the average length of the interstate haul, should not the state haul be charged proportionately less than the interstate haul, for maintenance of way?

A. My theory about that has been that if the transportation expenses are in the proportion as have been stated and they being the

only expenses it is possible to separate, with mathematical accuracy, and the proportion upon which those expenses should be divided, it would seem fair that they should run clear through all of the expenses, because there are many elements that are in the nature of giving and taking.

For instance, we may say that the local train under certain circumstances costs twice as much to run as the through train,—
7493 that is, under average circumstances. There may be times when it would cost more than that, it might cost twenty times as much. Many times the proportion would be the other way and so on.

Q. You are talking about transportation expenses and I am talking about maintenance of way.

A. You asked me if I did not think maintenance of way expenses should not be divided on some other basis, and I was giving a general reason why I thought whatever division was made in the transportation expenses, which have been definitely shown to be 50 per cent of all expenses, then that same proportion of division should naturally follow clear through.

Q. Well, naturally should it, when your average state haul is sixty miles, and your average interstate haul is one hundred and twenty miles, say?

So your state traffic runs practically over only sixty miles of road and your interstate traffic runs over one hundred and twenty miles. Why should the state traffic be charged with sixty miles it does not run over at all? And why should not that be strictly on the ton mileage theory because you run over only so many miles? Why should that be charged four times the ton mile basis, for this maintenance of way? It has nothing to do with the expense of moving the wheels? Why charge it with four times the maintenance of way when it goes over only one mile of road?

A. I don't know how the maintenance of way expenses are
7494 charged as between these different classifications.

You speak about the mileage or the average haul of the local freight and the average haul of the interstate. I do not think that applies to or has anything to do with this maintenance of way expense,—that particular thing.

Q. We are dealing with average conditions here.

A. You are averaging. Now, then, if it is found that with the local freight tonnage the total expenses are divided upon the basis of revenue, or some other arbitrary basis, how can we go through these several elements or departments of expenses, and undertake to make a separation?

Q. I may be wrong, but it appears to my mind in rather a simple light:

Here is a railroad of one hundred and twenty miles in length. The through business runs over the whole of it. The average length of the state haul is only sixty miles. So you may say it runs over only one-half of the road. The through business runs over the whole of it.

Now the state haul should be charged with the proportion of use

it makes of the sixty miles of road it runs over, because it may help to wear it out, and it should bear its proportionate part of the elemental cost that is imposed upon that.

But why should it be required to have anything to do with the sixty miles it does not run over?

A. Well, I think it would be charged in proportion to its use, or its average.

7495 Q. Now when you charge it with four times on the ton mile proportion of every element of cost whatsoever,—I am trying to segregate these things. I cannot see why maintenance of way should not stand absolutely upon the ton mile basis, because you run the ton over it. There are some negligible differences. It would be absolutely right to my mind if your cars were to do the same loading. There is a difference there which I think is negligible, because most of the expense of maintenance of way comes from elemental causes.

Mr. HAGERMAN: You would find that would be equal to the revenue basis. That is, what it would be if an account was kept of it. That is what his judgment is.

A. The trouble is dividing this expense on the ton mile basis, to be scientific, to be accurately correct, the ton mile theory is just as defective in that case as it is in the other.

Q. Why?

A. I will tell you why.

Q. Why should the state freight pay for the maintenance of track it does not run over?

A. It requires from fifteen to twenty cars to produce the same number of ton miles in local business as one car will produce in through business. That being true there is the weight, the tonnage of these twenty cars that pass over the track that throws the tonnage basis out of gear.

7496 Q. You are taking extreme cases?

A. I can illustrate it only by extreme cases.

Q. You can illustrate it one way by extreme cases. Are you satisfied to let that rest there. If you are, I am.

A. I can only give you an illustration.

Q. What is the average distance between the freight terminals in this state?

A. Do you mean the divisions?

Q. Yes, in a general way.

Mr. HAGERMAN: You mean divisional points?

A. I presume it runs probably,—oh, they will average a hundred and twenty five miles. I could easily ascertain that.

Mr. HAGERMAN: Have you those figures in the Burlington case?

Mr. TALIAFERRO: 100 to 125.

Mr. LEHMANN:

Q. Do you know the average number of passenger miles made by a coach on the local train as compared with the average number of passenger miles made by a coach on the through train?

A. No, sir.

Q. It would be very much greater on the local than on the through train?

A. The passenger miles?

Q. Yes, passenger miles and not car miles.

A. Those questions like that ought to be asked of the
7497 fellows that know about that.

Q. Take it from your own observation?

A. More passengers ride in the local coaches.

Q. Than in the through coach? Wouldn't you say a great deal more?

A. On the Missouri Pacific I would say, yes, a good deal more because of the relative proportions.

Redirect examination by Mr. FRANK HAGERMAN:

Q. Mr. Lehmann asked you something about the Alton under the old management some years ago, as to the extent of its local business and the profit of it; did you ever have any occasion to see these figures so as to know what was local or what was the state or interstate earnings respectively?

A. Not specifically, only general information.

Q. General information in the way of general talk and rumor?

A. Yes sir.

Q. You had no accurate knowledge in detail?

A. No sir; no accurate knowledge.

Q. I believe there is one element of the possibility of extra cost that has not been mentioned, and that is the use of the telegraph and telegraphic facilities in the state as compared with the interstate traffc; is there any extra cost there?

A. Well I should think there would be a proportionate extra cost as to the use of those facilities, in conducting that par-
7498 ticular kind of business as compared with the other kind of business.

Q. That is to say the telegraph is common in its use to both state and interstate business?

A. Yes, I should say it is used more in the handling of the local traffic than it is the other case in the very nature of things that would be so.

Q. In Mr. Lehmann's two days of examination it seems to me he has asked you every conceivable question that mind could think of, as to whether in your judgment there ought not to be an extra allowance on account of state traffic over and above the interstate.

Now I want to ask you after considering every suggestion he has been able to make in the two days' examination whether the figures which you gave as your general observation as to the extra cost of doing the state over the interstate business still stands, and is that your opinion still, taking into consideration all these things of which Mr. Lehmann has spoken and giving a general average and judgment?

That is to say, I want to give him the benefit of your consider-

ing every suggestion he made, and then get your judgment upon the whole of what the extra cost is.

Mr. LEHMANN: I think that is hardly a proper mode of examination. I do not expect him to think well of what I did, but you should not bring it out in that way.

The COURT: Go on.

7499 A. I have not any reason to change my mind nor my views as to the extra cost that I have testified to originally. I only want to qualify one thing. That is, in reducing the figures which I originally gave in this Missouri maximum rate case, of the extra cost of transportation of state freight from three to six times more, in that case it referred to the transportation expenses directly, and the computation I have made changing that to the basis of ton miles in stating it was four to one, of course the figures were made in my head and I have not had operating statements for the six months' period upon which to complete that calculation. But I take it it would be found to be the same or that it would come out that way.

On the ton mile basis it is four to one.

On the revenue basis it means one hundred per cent or two to one.

Q. And on the passenger the percentages you gave?

A. Yes, sir.

Q. And taking everything into consideration now you still adhere to the opinion then expressed?

A. Yes sir.

Recross-examination by Mr. LADD:

Q. I think you said that interstate freight of the same class destined to the same point in Missouri would cost as much to handle in Missouri, and no more than the state freight, with the ex-
7500 ception that state freight would have two terminals and the interstate freight one terminal: is that right?

A. I stated that, with the understanding that it was under the same conditions and circumstances. If there was no difference in the conditions and circumstances there would be no difference in the cost.

Q. With the exception of the expense of one terminal which would be saved to the interstate train?

A. Yes, sir; the other would have expense of two terminals.

Q. Take now the case of a carload of stock destined to Springfield, and shipped from Cincinnati, and coming through St. Louis, wouldn't there be a terminal expense at St. Louis?

A. Not in the same sense.

Q. There would be a terminal expense?

A. In one sense.

Q. If it was a full car load that car would have to be shunted more or less to get it into the Frisco train to go to Springfield?

A. Yes, sir.

Q. That would be an expense?

A. Yes, sir:

Q. That car would have its terminal expense at Springfield?
A. Yes sir.
Q. The same as the state freight?
7501 A. At Springfield?
Q. Yes; wouldn't it also have its terminal expenses at St. Louis?
A. Not in the same sense as if the freight originated at St. Louis.
Q. Let me ask you, suppose this carload of freight instead of originating at Cincinnati originated at St. Louis, what would be the course? Wouldn't it be this: The Frisco would run an empty car onto its team track or house track and the shipper would bring that stuff down there and load it into that car and the Frisco would put it into its train.
A. The cost in that case would be——
Q. Isn't that the way it would be done with a full car of freight?
A. That would be the usual course.
Q. Suppose it was a carload of sugar?
A. Yes sir.
Q. The sugar man in St. Louis would haul it down and load it into that car himself?
A. Yes sir.
But in the case of a car originating in St. Louis there would be involved the issuance of a bill of lading at St. Louis, the billing on that car from St. Louis and all the following elements or items of labor, such as the reporting of the way bills, the abstracting of it, the dispatching of it, which items are incident to the original shipping point?
7502 Q. Don't they sometimes rebill it at St. Louis? Would the way bill made out by the M. & O. follow that car clear to Springfield? Wouldn't there have to be a new way bill made out?
A. Not necessarily. They have a system of through billing, where the billing goes through, but in making an original shipment there are a great many items of work connected with it that are not attributable to a car simply passing through a terminal of that kind?
Q. Now, Mr. Doddridge, do you think the expense surrounding that car at St. Louis, receiving it, shunting it, getting it into the train, and doing whatever is necessary would be materially greater, than it would be if that carload had been shipped from St. Louis?
A. You mean shipped from St. Louis?
Q. If St. Louis had been the originating point. Do you think there would be any material difference in the expense?
A. I do not think there would be very much but there would be a difference.
Q. It would not be much?
A. Not a great deal.
Q. So there would be practically two terminal charges on that carload of interstate freight just as on state freight?

A. On that particular car and under those particular cir-
7503 cumstances I think, yes.

Q. I am speaking of the way those cars coming across the river are handled. Take a lot of less than car load freight coming from Cincinnati to be shipped over the Frisco to Springfield. That car has to be unloaded at St. Louis or East St. Louis or somewhere else.

A. Yes, it is unloaded there.

Q. And loaded into a Frisco car isn't it?

A. I don't know how they handle it there. That is, I do not know the system of doing that particular work. I am speaking of less than carload lots now. That is hauled across the river, less than carload freight.

Q. How is it hauled across?

A. May be by car, I think it is.

Q. And some by teams?

A. Yes sir.

Q. And when it gets across it has to be reloaded into another car on the Frisco line?

A. Yes sir.

Q. That expense is practically the same at St. Louis or where it is transferred from one road to another as would be the expense of the same freight if it had originated at St. Louis?

A. Practically the same, yes.

7504 Mr. HAGERMAN: If your Honor pleases, so you may carry in mind as we go along, this testimony as it is given, (and this is only for your information to carry the effect of Mr. Doddridge's testimony), upon the assumption that the extra cost is what Mr. Doddridge testified to, practically twice as much for state as interstate, the St. Louis and San Francisco Railroad would lack $357,000.00 of paying actual interest upon that portion of its property that is assignable to state earnings.

It would lack $414,000.00, irrespective of the question of interest, of returning 6 per cent in a year upon the valuation fixed by the State Board of Railroad & Warehouse Commissioners.

Upon the 25 per cent extra cost of doing the state passenger business, it would lack $300,000.00 at the end of the year of paying interest. In meeting the interest actually to be paid, it would lack $300,000.00 to meet 6 per cent upon the valuation fixed by the State Board.

Mr. LADD: It would also lack, on double cost, $30,000.00 of paying its expenses. It would be $30,000.00 short.

Mr. HAGERMAN: No, it would have $114,000.00 to the good, before it got to the question of paying interest at all, on the freight business. It would have $55,000.00 to the good, before it got to the point of paying any interest, on the passenger business.

7505 I merely call that to your attention so you can bear in mind where Mr. Doddridge's testimony leads us upon our theory.

It is in evidence but has not been read to you, and I think it is pertinent to call it to your attention now, because from time to time we

will have to put in this testimony taken in the other cases. And it bears upon the subject we are considering now.

Exhibit 55 in the Missouri Pacific case under the maximum freight law of 1905, testified to by Mr. Johnson, and which exhibit is called "Johnson Exhibit 55" and also testified to by some of the Burlington experts as being accurate.

In this connection I would like to read it in evidence here.

The paper referred to being marked "Johnson Exhibit 55, in the Missouri Pacific Maximum Freight Rate Case is in words and figures following, to-wit:

7506 CARL GRAY, a witness, of lawful age, being duly produced, sworn and examined, on the part of the complainants, testified as follows:

Direct examination by Mr. FRANK HAGERMAN:

Q. What is your position on the St. Louis and San Francisco Railroad?

A. Second Vice-President.

Q. And to what portion of the business is your time given?

A. Operation.

Q. You are familiar with the railroad commissioners' map which was shown here to the first witness on the stand, Mr. Douglas?

A. Yes, sir.

NOTE.—The paper referred to is marked Douglas Exhibit 1.

Q. And that shows by proper coloring correctly the different portions of the Frisco system in Missouri?

A. Yes sir.

Q. And you heard Mr. Douglas describe in a general way where the lines of the system run?

A. Yes, sir.

Q. So it is not necessary to go into the details of that?

How many divisions have you upon the Frisco in Missouri, what divisional points, and what are they?

7507 A. We have a division point at Newburgh, Springfield, Monett, Clinton, Coburg, Kansas City, St. Louis, Crystal City, Cape Girardeau, Chaffee, Hayti, and I think Thayer; I think that covers it.

Q. One of your lines was what was known as the old Kansas City, Fort Scott & Memphis?

A. Yes sir.

Q. That road shortly after leaving Kansas City, goes into Kansas and runs for a short distance through Kansas before it gets back into Missouri?

A. Approximately one hundred and twenty miles.

Q. That is really the through line of the Frisco system to the southeast of the United States?

A. From Kansas City, yes.

Q. Extending to Memphis on the Mississippi river and then on to Birmingham, where it makes connection for the seaboard?

A. Yes sir.

Q. What is the character of the business as to its importance in the southwestern part of Missouri reached by that line. Whether or not it is a very important and very considerable part of your business between Kansas City and those points in the southwest?

A. It is a very important element of our business.

Q. Springfield is quite a center?

A. Springfield is a very heavy point.

Q. What about the mining district; you reach that in the
7508 same way?

A. We reach that with another line.

Q. Do you reach it with this line too?

A. With a branch from that line and that of course is exceedingly heavy.

Q. Take the center of traffic upon your road Kansas City and St. Louis are necessarily very large points for you?

A. Yes sir.

Q. Next to that what portion of the state is the big portion of your traffic to and from?

A. The southwest portion.

Q. And particularly?

A. Particularly Springfield, and the zinc and lead mining districts which you have mentioned.

Q. And the traffic to and from that to Kansas City, which of course is also important, passes over this line, that runs through the state of Kansas?

A. Yes sir.

Q. In the conduct of your business do you operate what are known as local trains as distinguished from through trains?

A. Yes.

Q. And how do they compare in number, both freight and passenger, to what you might call the through trains?

A. The local freight trains, take the line in Missouri, will
7509 average about one to three; one local to three through; the passenger trains contrast local as to through, the line over, almost equal.

Q. How long have you been in the railroad service?

A. Approximately twenty six years.

Q. How long with the Frisco in your present position?

A. Four years.

Q. What position did you occupy before that and with what companies?

A. My entire service has been with this one company and its predecessor, of course.

Q. I mean the line of road that now comprises the Frisco System?

A. Yes.

Q. What positions have you occupied from time to time?

A. I have been in the station and telegraph service, in the traffic department, and then as division superintendent, superintendent of transportation, general manager, and second vice-president.

Q. The Frisco road is what might be called one of the large roads

in the state, in very fine condition from a railroad standpoint, without going into the whole detail of it?

A. Yes sir.

Q. What is your total mileage, substantially, in the state of Missouri?

7510 A. It is 1713 miles if I remember correctly.

Q. Is there any method by which the extra cost, if there is any, of the doing of the state business over the interstate can be accurately and definitely determined, Mr. Gray?

A. I know of none.

Q. What would you say as to the state freight business costing more than the interstate; does it or not?

A. It does.

Q. When I refer to the state business I mean the state business of which there will be some through business and some local business; I am not using the word "state" in the sense of a local train.

A. I understand.

Q. What in your judgment does it cost more to do the state freight business than the interstate, how much more?

Q. I have given that a very great deal of thought, Mr. Hagerman, and my best conclusion on that is that it costs from three to five times as much to do the freight business which is purely state as it does to do the interstate and trans-state jointly.

Q. By trans-state you mean that which starts outside the state and passes clear through?

A. Yes sir.

Q. And then there is a class of interstate business which

7511 originates in the state and goes out, or else comes from a point without the state and is destined to a point within the state?

A. Yes sir.

Q. And the state business is where it is wholly within the state?

A. Yes sir.

Q. On what basis do you give these figures, the ton mile basis or the revenue basis?

A. I really had no particular basis in mind; I was attempting to treat the matter in its physical aspect.

Q. That is to say——

Mr. LEHMANN: I would rather have the witness say.

Mr. HAGERMANN: He can say it better than I can.

Go on, Mr. Gray.

A. My experience has lead me to judge that from varying reasons this additional expense is forued upon the railroads. And those varying reasons are different day by day and week by week and season by season. And they have their origin in some circumstances over which the railroad has a modicum of control and other reasons over which it has no control.

Q. What I want to get at is whether or not that is your judgment as to the actual extra cost, however it may be determinable?

A. Yes sir.

Q. Mr. Doddridge, who has been on the stand, said he had
7512 the figures and he estimated on the Missouri Pacific system that if you estimated this extra cost on the ton mile basis it was about one half in result to what it would be on the revenue basis, according to the Missouri Pacific figures, and I believe he said at the same time, the ton mile average might be different on different roads?

What is the difference in percentage on your road, the difference in ton mile and upon the revenue basis?

A. The figures that Mr. Doddridge gave worked out where the ton mile earnings upon the state business are approximately twice what they are upon interstate.

Q. I understood him to take those figures from the Missouri Pacific figures he had and say that was about the way they work it out there?

A. The exhibit filed, as I understand it, the schedule 6 attached to Exhibit 2 of Mr. Douglas' testimony, indicates that for three months the ton mile earnings upon strictly state business was 1.739; and upon interstate business the earnings were 1.006.

In that case the ton mile earnings from strictly state business are approximately nearly 73 per cent more than the ton mile earnings upon interstate freight.

That would make any deduction based on the ton mile basis bear the proportion that 173 would bear to 100, instead of 2 to 1.

Q. What does that figure *down* in per cent, 173 to 100,
7513 instead of 200 to 100.

A. Yes. One is 100 per cent more and the other is 73 or approximately 74 per cent.

Q. Applying the figures Mr. Doddridge has on the Missouri Pacific, it would be 200 to 100 and on your road it would be 173 to 100.

A. Yes.

Q. Do you agree with his statement about it, that the ton mile revenue may vary upon the different roads?

A. Yes sir; and upon different sections of a road.

Q. Have you any reason to suggest why the method of ascertaining the expenses and dividing them as between state and interstate business had better be upon the revenue rather than upon the ton mile basis?

A. Candidly, Mr. Hagerman, I have never been wholly satisfied and I do not think any one will be with any method.

Q. Why?

A. Because there are so many varying elements entering into all these methods. We only have certain ways of arriving at any deduction in railroad work.

Q. That is to say it is an absolute impossibility under present circumstances, to operate a railroad without doing at the same time both state and interstate business?

A. Yes sir; and in attempting to reach a deduction as to any factor we are confined practically to certain known elements, for

instance, we have the car mile, empty and loaded, car
7514 mile.

We have the train mile.

We have the ton mile.

We have the revenue.

One is compelled to discard the train mile and the ton mile for practically the same reason.

Q. What is the reason?

A. The reason is that they are so varying as to run from approximately 25 per cent to 100 per cent in loads. There are no such things as a uniform train load or uniform car load.

Another one of these matters which are no more than very partially under the control of a railroad. They do not load the carload freight, and while they do load their train load it is governed entirely by business conditions as to what that train load can be.

Eliminating those two, it leaves us practically only the ton mile and the revenue basis.

Q. And you are in a position where you have got to be more or less arbitrary in making the division?

A. It compels us to be arbitrary. We must use some arbitrary method.

Q. That is because of the property being a whole and the constant mixture, and the impossibility of a division accurately and definitely?

A. They are absolutely so mingled together as to make
7515 it impossible to operate them by any known and fixed rule.

Q. Go ahead.

A. Of the two I have favored the revenue division, because I believe it is less varying. I believe it bears a truer relation to conditions day by day, than the ton mile basis does.

Another factor which has governed my judgment in that matter is the fact that the rates upon a ton in different parts of a state are relatively the same, whereas the possible cost of handling tons varies on even one sub-division of a railroad.

Q. How is that so? How can it vary on one sub-division?

A. Every item of cost is governed to the greatest degree, greater than any other one factor by the density of traffic and the length of hauls.

We have divisions in Missouri where one part of the division with a larger density will be able to handle its business of all classes for a cost that we will say represents say thirty.

The same division on another part of it where the traffic is less dense, where the needs of the public compel and the state laws require, a certain arbitrary train service, the cost will run up as high as 107.

On one division, therefore, we have the grade of difference. We have other divisions where the cost will run from approximately
43—I am using this as simply an illustration—to 79 or 80.
7516 That is due to the fact that upon one portion of that line is a constant tonnage offering, we are able to run more than the local train.

Upon another part of that same division we will have business only enough to justify the local train, which must run every day.

That bring- up the cost proportionately.

Now the earnings and particularly such rates as have been issued or made from time to time by legislative or commission authority, are blanket in their nature. The rates upon those different parts of a line for the same class of service, are very nearly the same. That is part of the reasons.

Another reason and the most controlling in my mind, against the ton mile basis is the fact that it assumes what every railroad man knows to be untrue, and that is, that it, costs just as much to move a ton one mile, proportionately, as it does to move it ten miles or less.

In other words, if we move a ton of freight or a car-load of freight containing a certain amount of tonnage for ten miles, that it would cost ten times as much to move that quantity 100 miles. Or cost twice as much to move it 20 miles.

The other great difficulty with the ton mile basis is, that it places every character of commodity upon the same basis, regardless of what it may have paid or contributed.

7517 In other words a ton or brick, of coal, or sand, the lower rate commodities, stand on the same basis as the ton of merchandise.

Q. Of the highest class?

A. Yes sir; of the highest class.

Another factor which has condemned the ton mile basis, in my mind, has been the fact that it is not possible on any basis of figuring the ton mile of which I have knowledge, to compensate for the very heavy terminal expense. It uses the same reasoning, if I may use that term, with regard to a haul of ten miles, or a heavy terminal, that it does with regard to one hundred miles from that terminal; and in the latter case the proportionate expense of that terminal is spread out over one hundred units instead of ten.

I have favored the revenue basis because there are a great many avenues of income in freight revenue which have no compensatory ton mileage. There is nothing to figure against that.

7518 Q. What are those things?

A. It is referred to in the system of accounting as miscellaneous freight earnings, arising from demurrage, storage, or switching. Those are the permanent and dominating features.

Q. Would it be practicable, from a railroad operating standpoint, to have kept a strict account, so you could tell on every train exactly how much waste space there was.

A. I think that is absolutely impossible.

Q. What are some of the reasons that would make that impossible, from a practical operating standpoint.

A. The railroad moves its business under conditions which are not always under its control; there are certain trains which we must run, regardless of the amount of business we have got.

There are certain other trains which, while we start them out of a terminal with an engine loaded to its capacity, have short junc-

tions or short loads, which commence, unless we have business to take up, to create a loss as against the possible efficiency of that engine almost from the start.

This is particularly true of what I have referred to as local trains where the train not only commences to change its complexion immediately after leaving the terminal, by reason of setting out loads and cars, but by reason of having to leave that terminal loaded to such an extent only as will permit it to pick up and handle such cars as may be offering at intermediate points.

7519 Q. Let me understand what you are saying, now; let me see if I do.

You start from a point with a given number of tons in less than carload lots, and you have a dozen different stations between your divisional points, where you are going to distribute it.

You get out the first ten miles and you take out some of them; you have to account for the loss of that space from the time you start from that second point, and so before you get to the end of your journey you may have distributed one-half or three-quarters of your load?

A. That is with reference to less than carloads or package freight only.

Q. Now take it with your train of car load stuff, where you switch out your cars.

A. That is what I had reference to as well.

Q. We might start a train from St. Louis down to some prominent point on your line of road, with so many cars, and when you get to that point you have cast them out and had not carried loaded cars all the way through?

A. Yes, or on the other hand, we have offering business between these points, may be within a few miles of the farthest terminal. In order to take care of that we must start this train light.

Q. Then there might be possibly some compensatory features in the way of taking on cars of freight, so at each station it would be a varying quantity, so far as that particular train or car is con-

7520 cerned?

A. That is what I mean by saying it is not within the railroad's control. Those offerings are entirely a matter of public necessity or public wish. We cannot judge day by day what they will be. We must take each day as it comes. That train today may realize all our hopes of its performance, and tomorrow it won't do one third or one fourth of it.

Q. So, in your judgment, it is not practicable, to take account and ascertain and know upon each train as to what would represent the loss in space. And the same thing, I presume, would be largely true as to the haul of the locomotive. That is not accounted for.

A. No sir.

Q. Now the load of coal in the tender?

A. That is not accounted for.

Q. You say it is not practicable to do that in the operation of the railroad?

A. No sir.

Q. Has any system been devised or put in use, by which they keep tract of anything of that sort?

A. I never have heard of it.

At this point the further hearing of testimony herein was adjourned to Thursday, November 12, 1908, at 10 o'clock, A. M., then to be resumed at Room 120, Baltimore Hotel, Kansas City, Missouri.

7521 KANSAS CITY, MISSOURI. *Thursday, November* 12, 1908.

Met pursuant to adjournment as above on Thursday, November 12, 1908, at Room 120, Baltimore Hotel, Kansas City, Missouri. Present, parties as before, when the following proceedings were had:

Direct examination of witness CARL GRAY resumed by Mr. FRANK HAGERMAN:

Q. I wish to ask you a few questions, Mr. Gray, relating to the ton mile theory. I assume that it is a variable thing in the way of comparison, but how is it by way of comparison as between roads?

That is, a ton mile basis on one division of your road as compared with a ton mile basis upon a division of some other road like the Missouri Pacific or the Burlington?

A. It is of no value as a comparison of any kind, either for efficiency or otherwise, as between the different lines, or even between subdivisions of a line.

Q. Just why is that so?

A. Because of the varying physical conditions, and because of the varying degrees of density, and because of the difference in the average haul.

Q. And when you get to the revenue part of it, where competition forces a rate, say between the Missouri river point, to the short line, it is one hundred and ninety eight miles, like the Burlington Railroad over from Hannibal to St. Joe, and some other roads would have to make the same rate for two hundred and fifty miles, because of its longer road; that would be an apt illustration?

7522 A. That would apply to revenue rather than to ton miles.

Q. I say as to revenue; you were speaking of comparative cost of operation?

A. I say as a comparative basis.

Q. Wouldn't it cut some figure as to expense? Manifestly it is more expensive to run 250 miles than 198 miles.

A. I am not sure that I understand that?

Q. I was speaking about whether this comparison, independent of the physical condition of the road, you could not use it as between different roads, in cases where the competition fixed the short haul line as the basis of rates between points?

A. I am not qualified to testify as to that feature.

Q. All right; now you gave your opinion, I believe, yesterday, upon the extra cost of doing the state freight business over the interstate; will you please now give what, in your judgment, are some of the elements which exist, showing that there is this increased cost. What goes to make up the increased cost,—what elements?

A. There is a difference in the cost of handling the two classes of freight, primarily because of the fact that in the case of trans-state freight there is no terminal, in the strict sense of the term, in the state. And in the case of interstate freight, there is but one terminal. In the case of state freight there are always two terminals.

Q. Now that is one feature,—the extra terminal cost. I
7523 am not asking you to enlarge upon these different items, because the cross-examination of Mr. Doddridge you have heard, and that has gone into a great deal of detail. But just give us some of the leading elements.

A. The leading elements I would summarize as the difference between the terminal expense, tending to make the state expense greater.

The fact that the one character of freight enforces a regular train movement, regardless of its volume, because the efficiency of the locomotive is rarely reached.

Because a greater rate of wages is paid the men on local trains than the men in through trains.

Because of the greater hazard which accompanies, necessarily the operation of a local train as contrasted with the through train.

Because of the provision as well as the maintenance of facilities which are not required by the trans-state business, and which are only partially required by the interstate business.

The fact that the local train is manned by a larger crew.

Because of the greater consumption of fuel.

Because of the increased repairs to all character of equipment, and of permanent way.

Q. Is or is not there any known method, or has any system ever been adopted in the practical operation of railroads, by which this extra cost is or can be definitely ascertained, considering the mixture?

7524 A. There has been none to my knowledge.

Q. So, after all, it must depend upon the judgment of men familiar with the situation?

A. Yes, sir:

Q. Is what you say in a general way as to the difference in handling state and interstate freight, and its expense, applicable to the state passenger business as distinguished from the interstate?

A. Yes, sir, only in a lesser degree.

Q. Just state in a general way some of the elements in the passenger business, in addition to these you have given in the freight, that are applicable to the situation, where there is an increased cost or elements that enter into the increased cost of doing the state passenger business?

A. The state business is handled upon local passenger trains. Such trains of necessity have a slower schedule. Not that they run slower than the other trains, but because of the station delays and the work which that entails.

Such a train costs more for fuel, and for supervision. That brings about a greater expense for repairs. That induces a greater element of hazard because of its occupation of the line for a longer

time. It has an extra degree of hazard, because our experience is that personal injuries more ofter occur at the stop than they do in transit.

Because of the necessity for the provision of maintenance of facilities not requisite for trans-state travel and only partially you said for interstate.

7525 Because of the fact that the railroad company is compelled to maintain its local service for state business, where it would not be compelled to maintain it for interstate, or more particularly for tran-state.

I believe those are the controlling reasons.

Q. The element of extra terminals enters into the passenger business just like the freight, although, as you say, in a lesser degree?

A. Yes, sir.

Q. How about the frequency of stops with the state business as compared with interstate—the stoppage of trains?

A. A local train makes practically every stop. The through train makes infrequent stops, and the trans-state would make such stops as are dictated by operating convenience only.

Q. There are some elements of expense that the witnesses in the testimony already taken have said must be considered in determining the cost of doing state over interstate business. Among them are the following:

Time consumed between stations.

Additional fuel consumed at each station where trains stop.

Wear and tear, locomotives and cars from increased cars and shifting cars from main to side track.

Wages of employees at intermediate stations.

Cost of insurance.

Cost of hauling and handling freight at terminals.

7526 I call your attention particularly to that because in some of the cases heretofore heard, those have been elements that have been recognized as creating an extra cost of state over interstate business, and I want your judgment, whether they are elements also to be considered as showing there is an extra cost of doing state passenger over interstate passenger business?

A. There is the use of one term to which I could take exception there. That is "length of time between stations."

That is not so material a factor, except the time it takes the train to get under way. It is not often that a local train will consume greater time between stations than a through train.

Q. There is that difference in the elements between freight and passenger business?

A. Yes, sir.

Q. But otherwise those elements are applicable to the passenger situation?

A. Yes, sir, in a general sense.

Q. In your judgment, what is the extra cost of doing the state passenger business over the interstate?

A. I have never felt, like I testified as to the freight, that I could put an invariable per cent or more than approximate it. I think

that difference in cost upon the Frisco Railroad will be between twenty and thirty per cent.

Q. Twenty the minimum and thirty the maximum?

A. Yes.

7527 Q. And that would be something applicable to taking the entire system, in Missouri, as a whole?

A. Yes, sir.

Q. That is to say there would probably be some parts of your system where there would not be as marked an increase as on other parts?

A. I have attempted to consider the 1713 miles of our line in Missouri, and have reached that conclusion.

Q. And reaching a general judgment as to the general situation?

A. Yes, sir.

Q. What would be your judgment as to the general railroad situation as to that increased cost throughout the State of Missouri from your familiarity with it?

A. You mean the different costs to which I have testified?

Q. Yes, whether your opinion would be applicable to the general railroad situation in Missouri?

A. My experienec has been entirely upon one line, I have had only a limited opportunity to reach a decision as to other lines. I would think the figures I have testified to reflect clearly the condition of Missouri railroads in our general locality. That is, south of the Missouri River.

Q. You are not so familiar with the situation north?

A. No, sir.

Q. Are there any distinctive features that you can call to mind now, as a general railroad man, that would make a substan-

7528 tial difference between north Missouri and south Missouri?

A. The distinction being that the line leading between the two rivers and the north Missouri, have a greater density of business and have a greater per cent of local business to trans-state and interstate.

Q. So in giving your figures you practically limit it to the roads in the territory in which you are located?

A. With which I am familiar.

Q. You are not familiar with the other situation?

A. No, sir

Cross-examination by Mr. FRED H. LEHMANN:

Q. Your road is owned by the Rock Island Company, is it?

Mr. HAGERMAN: That is objected to as wholly immaterial—and not true anyhow.

The COURT: Proceed.

A. It is controlled by the Rock Island.

Mr. LEHMANN:

Q. Through the ownership by the Rock Island of the stock of your company?

A. Of a majority of the stock.

Mr. EVANS: You mean the Rock Island in Missouri.

Mr. LEHMANN: I am asking the questions.

The WITNESS: He said the Rock Island Company.

Mr. EVANS: In the common acceptance of that word it is the Chicago, Rock Island & Pacific. The Rock Island Mr. Gray
7529 means is the Rock Island of New Jersey and not the Rock Island Pacific Company.

Mr. HAGERMAN: It seems to me wholly immaterial to any inquiry before the Court.

The COURT: You know what I have said before. Is there a railroad and a railway company?

Mr. HAGERMAN: I assume there is a holding company that holds the stock of the different railroads.

Q. What is that, Mr. Gray?

A. The Rock Island Company.

Mr. EVANS: A portion of the stock of the Frisco Company is owned by the Chicago, Rock Island & Pacific Railroad, which is a corporation of Iowa.

The COURT: And Illinois?

Mr. EVANS: No, sir. The Chicago Rock Island Company is a company which operates the railroad.

Mr. LEHMANN: Then there are three companies, the Chicago & Rock Island Railroad Company, which is a corporation of Iowa which owns part of the stock of the Chicago, Rock Island & Pacific Railway Company.

The Chicago, Rock Island & Pacific Railroad Company is a corporation of Iowa and Illinois.

And the Rock Island Company is a corporation of New Jersey which owns a majority of the stock of both companies.

Mr. EVANS: The Rock Island of New Jersey owns a portion of the stock of the Chicago, Rock Island & Pacific.

The Chicago, Rock Island & Pacific owns part of the stock
7530 of the St. Louis & San Francisco. And a part of the stock of the Chicago, Rock Island & Pacific.

The COURT: Do you understand that, Mr. Lehmann?

Mr. LEHMANN: I understand it well enough not to fool with their stock.

Mr. HAGERMAN: Mr. Lehmann has evidently been "stung."

Mr. LEHMANN:

Q. Your road has a good many branch lines in the state?

A. Yes, sir.

Q. Acquired within recent years, apparently?

A. We have some that have been acquired in recent years and some we have owned for a great many years.

Q. Take the branch from Cuba to Salem, when was that acquired?

A. That was acquired in 1898.

Q. That was an independent road, an independent company?

A. It had quite a history. It was owned by the old company and

after the receivership in 1896 it was eliminated. And then, within a year or two, was acquired under a new basis.

Q. They bought the road?

A. Yes, sir.

Q. That is about how long?

A. About forty miles.

Q. And that in turn has two little branches, one to Sligo and one to Mingo?

7531 A. Yes and one to Cherry Valley.

Q. That is not indicated on this map I have.

A. It is below Cuba, about twelve miles.

Q. How much of a mileage is there on that branch with the three twigs?

A. One twig there is bigger than the branch—I mean so far as the business is concerned. That is the little line out to Sligo. Probably in the three lines there is not more than fifteen to sixteen miles involved.

Q. In all of them?

A. Yes, sir; in the three.

Q. The four you mean?

A. Yes, sir; the branch and the two twigs.

Q. Is that a profitable branch?

A. In a broad sense, yes.

Q. It is worth while having? You get more out of it than it costs you?

A. It is worth while not letting anyone else have it.

Q. Is it worth while having. Just assume that proposition alone. Do you get more out of it than you put in it?

A. It is about a break-even in my opinion.

Q. That is, it pays all expenses which are properly chargeable to it. Do you keep a separate account of that branch?

A. I have nothing to do with the accounts.

Q. I didn't know but that you might know that?

7532 A. No, sir; I don't even know that. But I think not.

Q. Business over that branch is strictly local because the branch is wholly within the state. I am distinguishing now between local and through and not between state and interstate. It is strictly local?

A. I don't believe I understand what you mean by strictly local.

Q. You have spoken of trans-state shipments by which I assume you mean shipments which go entirely through the state, neither originating or ending in the state.

A. That branch would eliminate one of the three factors I have mentioned.

Q. And that necessarily is local in the sense that it is wholly within the state.

A. Yes.

Q. And all traffic over that line, necessarily so far as that line is concerned begins and ends within the state?

A. Considering it as an entity?

Q. Yes.

A. Yes.

Q. Of course, the traffic may originate there and be destined beyond the state, but it would have to take the main line in order to get beyond the state?

A. Yes.

Q. If it were destined eastward of course it could not get beyond your line?

A. No, sir.

Q. Your line terminates at St. Louis?

7533 A. Yes, sir; at St. Louis.

Q. You have another line from Kansas City to Springfield which is wholly within the State of Missouri, what is the name of that line. I assume you have a designation for it.

A. We call it the Clinton District.

Q. How long is that?

A. Approximately 189 miles.

Q. When did your company acquire that line?

A. The line was built from Springfield to Bolivar, Missouri in 1887 or 1886. The line was acquired from Coburg, Missouri to Osceola in the neighborhood of 1897. And the line connecting Osceola and Bolivar was constructed approximately in 1897 or 1898.

Q. Is that a profitable line?

A. No, sir.

Q. What is the amount of deficiency of operating expenses of that line?

A. I cannot answer that question.

Q. You say it was constructed first from Springfield to Bolivar. By whom was it constructed. By an independent company—I mean by some company other than the Frisco Railroad?

A. To the best of my recollection that was constructed by us. By the St. Louis & San Francisco Railroad.

Q. And in 1886 or 1887?

A. Yes, 1886 or 1887.

Q. And then when was the next portion of it constructed?

7534 A. The portion connecting Bolivar with Osceola to the best of my recollection was constructed in the neighborhood of 1897 or 1898.

Q. And by whom was that constructed?

A. That was constructed by contractors acting for the Kansas City, Osceola—well now, that is a detail I am not clear on.

Q. Well, was it done by the St. Louis & San Francisco Company, or for it?

A. It was done for the Frisco Company.

Q. Was it an undertaking of the Frisco Company, is what I am wanting to know.

A. Yes, sir.

Q. When was the next portion of the line constructed?

A. This was an older line, the history of which I am not entirely familiar with, extending from Coburg to Osceola.

Q. Where is Coburg?

A. It is a suburb of Kansas City.

Q. Practically speaking, that line extends from Kansas City to Osceola.

A. Yes, sir.

Q. And that was built before 1887, you would say?

A. I am not familiar with that.

Q. And that was an independent enterprise and that was acquired then by the Frisco Railroad, when?

A. In 1897 or 1898.

Q. Do you know whether that line had ever paid before that time?

7535 A. No, sir.

Q. Now you say it does not pay?

A. No, sir; it does not pay.

Q. Then there is another line from Kansas City to Springfield which leaves the state at Kansas City and passes through Kansas, coming into the state again at Arcadia?

A. Between Arcadia and Last Chance.

Q. On which side of the line is Last Chance?

A. On the Missouri side.

Q. How do you designate that line?

A. That is known as the Kansas City district to Fort Scott, the Ash Grove District from Fort Scott to Springfield.

Q. The line itself, have you a name for that?

A. It has no designation.

Q. When did your company acquire that line?

A. The line was acquired in the early part of 1901.

Q. Is that a profitable line?

A. Yes, sir.

Q. It pays more than operating expenses?

A. Yes, sir.

Q. Where is the bulk of its business?

A. The heaviest part of the business on that line is from Fort Scott to Kansas City. The line from Springfield to Fort Scott being second in importance.

Q. Is there considerable traffic between Kansas City and Springfield?

7536 A. Yes, sir; there is a good traffic there.

Q. And over which line is the bulk of that traffic conducted?

A. Over the line through Fort Scott.

Q. Which is the short line?

A. The line known as the Clinton District.

Q. Why don't you run your through freight from Springfield over that line?

A. For two reasons, the first being that the grades are very heavy, the curvature is quite pronounced. The physical characteristics of the line are not as strong as the other.

Q. In other words it is a poorly constructed road?

A. Not for the purposes for which it is used.

Q. As a matter of fact, however, it is a poorly constructed road?

A. It is not a first class line.

Q. So you send your freight a round-about way whenever you can?

A. That is pretty broad; no, sir, we send it the shortest way if it is the most economical.

Q. I mean in this particular instance.

A. In this particular instance, yes.

Q. And of course, you have control over what might be called through freight there?

A. Yes, sir.

Q. And you run it to suit your convenience of operation?

A. We run it to suit economy of operation.

7537 Q. Convenience and economy?

A. Well, yes, they are pretty nearly synomonous in that connection.

Q. That road going through Kansas City, is that a profitable road?

A. Yes, sir.

Q. The bulk is between Fort Scott and Kansas City and next is between Springfield and Fort Scott?

A. Yes.

Q. Is there considerable local traffic between Springfield and Fort Scott?

A. Only a fair amount of local traffic.

Q. The bulk is through?

A. Yes, the bulk is through.

Q. Your main line, the original Frisco, is the one that extends from St. Louis through Cuba, through Springfield and through Monett?

A. Yes, sir; and leaves the state at Seneca.

Q. It goes to Afton in Oklahoma?

A. Yes, sir.

Q. That is the original main line?

A. That is the original line.

Q. You have a branch off from that main line again from Springfield to Chadwick?

A. Yes, sir.

Q. When was that constructed?

A. The best I can answer that definitely would be in the eighties.

7538 Q. Was that constructed by the Frisco?

A. Yes, sir.

Q. Is that a profitable line?

A. No, sir.

Q. It does not pay?

A. No, sir.

Q. Did the Frisco Company hold that through the receivership?

A. You are speaking about that now as you did of the Salem branch, as a separate entity.

Q. Yes.

A. No, sir; it does not pay.

Q. Did the Frisco hold that throughout the receivership?

A. Yes, sir.

Q. You have another line leaving Monett and going south into Texas?

A. Yes.

Q. Going through a portion of Arkansas and into the State of Texas?

A. Yes, and through Oklahoma.

Q. There is considerable traffic over that line?

A. Yes, sir.

Q. How much of that line is in Missouri?

A. From Monett to a distance below Seligman, about 33 or 34 miles.

Q. Are there any branches off that line?

A. Not in Missouri.

7539 Q. You have a line that extends from the Kansas border through Springfield, Willow Springs, and goes to what is marked on here as Gulf Junction?

A. Do you mean Kansas?

Q. I am taking your Kansas City line as a part of it.

A. You have diverged and that is what confused me. At Willow Springs that is a branch. Following the line itself you would go in another direction through Hoxie and Thayer to Memphis.

Q. You have a line across the state east and west which is made up in part of the line from Kansas City to Springfield?

A. Oh, yes; now I follow you. We have that.

Q. You operate that, I take it, as an east and west line?

A. Not in any way.

Q. You have trains running from Springfield to Thebes?

A. No, sir; we not only have no trains running there but we do not attempt through operation.

Q. Do you use that line which appears on this map here as an east and west line through the southern part of the state?

A. It looks just as prominent on the map.

Q. Yes, and that is what called my attention to it.

7540 A. But in reality it is almost an impossible line for any economical operations. The line between Hunter and Mingo was one of the lines acquired by the purchase of all these lines in southeast Missouri.

There is one grade that runs up as high as 3½ per cent where an old tunnel caved in *our* our predecessor and we have been gradually digging it out.

The line, so far as through operation is concerned, is absolutely nil.

Q. That is the line from Springfield to the Mississippi River?

A. Yes.

Q. There are a number of branches indicated on that line. One running from Willow Springs to Memphis?

A. That is the main line of the old Kansas City, Fort Scott and *and* Memphis.

Q. Is that in use?

A. Yes, sir; that is a heavy traffic line.

Q. So that line would be your line from Memphis to Willow Springs and Willow Springs to Springfield and Springfield to Kansas City, going through Kansas?

A. Yes, sir; that is right.

Q. And the line, constituted in the way last indicated, is a good line?

A. Yes, sir.

Q. But from Willow Springs to Gulf Junction or to Thebes is not a good line?

A. From Hunter to Mingo is the condition of which I spoke.

7541 Q. When did you acquire the line from Hunter to Mingo?

A. I cannot speak as to control. They commenced to be operated as a part of our railroad in 1904.

Q. And before that time you had nothing to do with it?

A. Before that time there was a period of control of which I have no personal knowledge.

Q. It is not an original part of the Frisco line?

A. No, sir.

Q. And has been recently acquired—we will not stick to the years.

A. Yes, sir.

Q. That is an unprofitable line from Hunter to Mingo?

A. Yes, sir.

Q. Do you know who constructed it originally?

A. My information is it was constructed by Mr. Hauck.

Q. I was just going to ask you if it was one of the Hauck lines?

A. Yes, sir; it is one of the Hauck lines.

Q. Mr. Hauck is a man who for the last twenty or twenty-five years has been quite active in building railroads in southeast Missouri?

A. Yes, sir.

Q. There is a line, apparently a branch, from Mingo, Missouri to Hoxie, Arkansas?

A. That is another one of those lines which looks as big on the map as the other one but in reality it is not a con-

7542 nected line.

We get just below the state line in Arkansas and we come to the Black River, where the operators of that line have a contract for the use of a bridge, and the bridge is too light for railroad traffic and therefore that is not a connected line.

Q. Is that one of the Hauck lines?

A. Yes, sir; that is one of the Hauck lines.

Q. Is that a profitable line?

A. Judging by the same way you have asked me to consider the other, and considering it from Mingo to the state line of Missouri, as a separate entity, it is a profitable line.

Q. It is?

A. Yes.

Q. It more than pays operating expenses?

A. Yes.

Q. What is the nature of the traffic over that line?
A. It is very diversified.
Q. Timber, largely?
A. Timber and farm products. It runs into the Black River Valley and does quite a good business.
Q. Fruit business?
A. Not so much fruit. It does a farm product business, corn and wheat.
Q. There is a line from Brownwood running down I should say about to Leachville?
A. Leachville is in Arkansas. It runs through Kennett,
7543 which is in Missouri.
Q. That is one of the Hauck lines also?
A. That is a Hauck line. It was in process of construction. It was a Hauck enterprise.
Q. When did your company acquire that?
A. All of these lines to which you are having reference now were acquired at the same time. We commenced to operate them in 1904 and I do not know when the acquisition of the property took place.
Q. But you commenced operating in 1904, so it must have been prior to that?
A. Yes.
Q. And not very far from it?
A. I don't know about that. It may have preceded it some years.
Q. Is that a profitable line?
A. No, sir.
Q. There are a number of lines indicated on this map in that southwestern part. For instance, from Aquilla to Van Duser, and t-o or three from Gulf Junction and Thebes and another one apparently from Joplin down to Caruthersville.
These are all Hauck lines in the southeastern corner of Missouri?
A. The line of demarcation is so dim I do not know where Hauck ends and the Caruthersville people commence. They were both building there and our purchase consolidated those several interests.
7544 Q. Are those lines profitable?
A. You have named some profitable and some unprofitable ones.
Q. Indicate which is which?
A. The line leading from Cape Girardeau, what would be main line down through Sikeston and Oran and down over that small line to Caruthersville and on through to the Arkansas line to Yarbro.
Now that line I tried to show here running through Sikeston, Oran and through Lilburn and Hayti. And this line over to Caruthersville and down to the state line is a profitable line.
The line around from Cape Girardeau to Brooks Junction is not a profitable line.
Neither is the line from Brooks Junction to Aquilla or through from Selma to Campbell.
The line from Brooks Junction thorugh Moorehouse and that branch up to Malden and through to Kennett is profitable.

The line from Kennett to Leachville is not a profitable line.

Nor, taken as a whole is the line from Kennett to Caruthersville with the two little branches I spoke of.

Q. But take these lines, these Caruthersville and Hauck lines in southeastern Missouri, take them altogether, would you regard them as profitable?

A. You mean now the lines that were acquired?

7545 Q. That you began operating in 1904?

A. It is a very narrow squeeze.

Q. Why would your company go and buy them if they were not worth while?

A. Do you want that answered in a broad sense?

Q. I would like it answered accurately.

A. I cannot answer it accurately, but I believe a look at the country would demonstrate exactly why that was done.

This is the most promising part of Missouri. It is a country which in former years has been swamp land of very small value. It is covered to a large extent with a character of timber which is now coming into great demand.

When that land is cleared off and they carry to completion the very elaborate drainage schemes they have, it brings into use the very finest farming land that I have ever seen.

It was with a view, I should say, to the future, that the controllers of our property acquired those lines.

And also in furtherance of their ambition to have a through line between St. Louis and Chicago and between Memphis and New Orleans, of which part of these would make links in the chain.

Q. The Cape Girardeau-Caruthersville line you have referred to there, you say is a profitable line today?

A. Yes, sir; it is a profitable line.

Q. That is practically all state business, isn't it?

7546 A. On the contrary, I believe it is to a larger degree more through there—I am speaking now in a broad sense—more through there than on any other part of our line.

Q. Before you bought it it was necessarily all state?

A. No, sir; it had the same distinction before that it has now. It was interstate in that it was handled by two or three instead of one or two.

Q. But the two termini of that road are within the state of Missouri?

A. As operated before?

Q. Yes.

A. Yes.

Q. All within the state of Missouri?

A. Yes. Except in an insignificant sense we go into Arkansas.

Q. That is an absolutely negligible quantity?

A. Yes, sir.

Q. It was a paying road when your company acquired it?

A. That is a question I would convey a misapprehension if I answered it. It was a paying line as Mr. Hauck operated it.

Q. Did he operate it in a good way or a poor way?

A. If you will permit me I will say that we pay the engineer as much as he paid his entire crew.

Q. And with your higher wages you still make it profitable?

A. Separating that from the rest of the line and consider-
7547 ing that as an entity, yes.

A. Yes, that is what I mean, taking that branch as an entity, that was profitable?

A. Yes, it has become so under our management.

Q. There is absolutely no trans-state freight goes over that line?

A. Oh, a very material degree of trans-state freight comes over that line. You have overlooked this bridge here which connects with the Chicago and eastern railroads, the Illinois Central and our main line is down here (indicating on map) Memphis is over about here (indicating) and the Rock Island from Memphis to the west leads here (indicating).

All the business passing from Chicago and the East going into this part of Arkansas and into Memphis and this direction is all handled between the Bridge and Big Creek, the connection with the main line, and that is trans-state freight and that is a very considerable portion of it.

Q. It has to go a roundabout way?

A. It is quite a direct way. It does not appear to be so on this map but it is really quite direct.

Q. It appears to be quite tortuous on the map?

A. It really is not. To make myself clear it is the short line from St. Louis to Memphis and it is not so remarkably out of the way from Chicago to Memphis. Of course that is the shortest line we have between those places.

Q. At the time Hauck had it did they have trans-state
7548 freight over it?

A. No, sir.

Q. I think I asked you about the branch from Mingo to Hoxie?

A. That is the line which I explained to you was cut in two.

Q. By reason of the insufficiency of the bridge?

A. Yes.

Q. Then you have a line from Linton to Carbon Center?

A. That is really Rich Hill.

Q. Rich Hill, Missouri?

A. Yes, sir.

Q. Is that a profitable line?

A. No, sir.

Q. When did you acquire that?

A. That came to us with the Fort Scott and Memphis Road.

Q. That was about 1898?

A. No, sir; that was in 1901.

Q. You were familiar with the Fort Scott and Memphis and these other lines when they were acquired, except those acquired in the eighties?

A. Just in a general sense.

Q. How much has your company increased its mileage in the State of Missouri in the last ten years?

A. It must have increased it two-thirds. That is it must be at least 125 per cent more than it was.

7549 Q. In other words they have kept right on increasing the mileage and chiefly by the purchase of roads already constructed?

A. Chiefly.

Q. Has it constructed some new roads, say since 1898?

A. Well, Mr. Lehmann, those construction features are quite often done by another company on a prior contract.

Q. Mr. Gray, where your company instigates or procures it to be done, I treat that as your company.

A. Then the line from St. Louis to Cape Girardeau was constructed by our company.

Q. That is the one running down the river?

A. Yes, sir.

Q. And the rest were virtually independent. The Hauck lines were independent enterprises in their conception?

A. Yes, sir; in their conception.

Q. Hauck is building roads there all the time and selling them to somebody?

A. He sold them to us.

Q. Did you state the amount of the bonded debt of your company?

A. I have no knowledge of that.

Q. Is all your state freight traffic unprofitable?

A. I do not believe I can answer that.

Q. Would you rather dispense with all your state freight traffic, if you could, than to handle it?

7550 A. No, sir.

Q. Independently now, however, of the matter of the development of the country, so far as the mere present handling of that freight —, would you rather it were in existence or not?

A. I would prefer it were in existence.

Q. Speaking as a railroad man?

A. Yes.

Q. You think it pays you to handle it, don't you? Get away from technical matters now. Don't you believe it pays you to handle that local freight?

A. If I could answer that question by divesting myself of any understanding of what brings about and creates conditions we meet every day, I could answer it one way, and if I consider those things, I would answer it another way. It is absolutely impossible for me not to approach this subject with the knowledge of everything that surrounds it.

Q. Just divest yourself of everything except that you are a man and I am a man and we are talking right straight to each other: don't you think that local freight pays?

A. Purely in that sense, I could say it does not, with the opportunity I hope you will give me as man to man of giving my reason for thinking that.

Q. Go ahead, I don't think you will have any reason to complain of the nature of my examination, Mr. Gray.

7551 A. The point is that in building this house you must begin at the foundation, and the foundation is that we have to meet certain lawful and it would not behoove me to say other than proper requirements. Those requirements are that we shall furnish certain facilities. We shall furnish this character or that character of facilities. That we shall furnish this character or that character of train service.

These are not brought about or forced upon us by any authority other than that exercised by the state.

Now when we have got these things and when we have got these stations, we will say, and have got these side tracks put in for this, that or the other local conditions, we have got this train running. Why then that local traffic is a desirable feature.

If it were put up to me as an operating man to say whether I would put on that train to handle that particular business, that is the other view point. I don't know. It is impossible to separate the two conditions. By that I mean this:

We have a car that has got interstate and local freight, or interstate and state and even trans-state freight in that one car. That is a condition.

We have got a train which has trans-state and interstate and state freight in it.

We have a depot——

7552 Q. If it will not interrupt you or interfere with your trend of thought, I would like to stop you and ask a detail and then you can go on with your answer.

You take a car with your trans-state, state and interstate, all three kinds of shipments in the one car. That is, of course, in less than carload lots, necessarily, the three being in one car?

A. Yes.

Q. Now could you to advantage to your road eliminate or throw out from that the state traffic? Or is it helpful to you to have that state traffic added to the interstate and trans-state?

A. I hope you will acquit me of any idea of dodging in answering your question.

I just want to bring this out clearly.

That we cannot consider these things as separate to save our souls. If we wanted to we cannot do it. They are so absolutely interwoven and intermingled, through causes not under our control, that they are absolutely one and we cannot consider them separately.

Now following your question, we have this car moving and I am very glad to put that state freight in it. And, vice versa, if I have a car going with my state freight in it and some interstate freight in it, I am very glad to put some trans-state freight in it. That is absolutely a convenience, because I have already a condition.

7553 Q. Now take a condition of that kind, and that is what you have, when you apportion each one of those three kinds of freight you have there, it adds to your revenue and serves to diminish the relative—not the absolute but the relative or proportionate cost.

Now if you divide up the expenses between those three, so as to bring one out as a burden upon the traffic, isn't there something wrong in the process by which you do that? To use a common saying isn't it "robbing Peter to pay Paul" if you make that difference in such a way that one of the elements of traffic there is regarded as non-compensatory, when one is helping you to make money?

A. If you have a decision to make—and I beg pardon for putting it this way—if you have four methods in the nature of things, one of which you are compelled to use in arriving at a deduction, you can see clearly and admit candidly the defects in one but you can see so many more defects in the other three, you use that one because you cannot help yourself.

Q. You see the problem we have to deal with here is somewhat peculiar. It is not a matter of railroad accounting for the purpose of the company and its convenience, but it is for the purpose of ascertaining the propriety of the rates fixed upon a certain class of traffic, which has not perhaps a logical classification. I do not suppose you would classify freight at all as state and interstate, leaving legislation out of the question.

A. In the practical handling of our work there is absolutely no distinction.

7554 Q. I assumed you would not classify it as state and interstate, but as local and through?

A. Yes, sir.

Q. But we are constrained here to make a classification that you would not agree is logical but it is legal and so we must do it. So we must do the best we can.

We want to apportion fairly the elements of expense, as fairly as we can, I would put it, between state and interstate and not between local and through business.

You have your facilities and they exist for every class of traffic that offers?

A. Having once been provided, yes. But not in the fullest sense.

Q. I am not now getting into little details of differentiations, but broadly speaking.

A. Yes.

Q. Your road and its equipment exist?

A. Yes, sir.

Q. For whatever traffic offers?

A. Yes, sir.

Q. And it is there and the great body of the charges of maintaining and operating it exist, independent of any particular class of traffic, don't they?

A. Yes.

Q. So that the elements of expense which would be distinctively occasioned by any one class of traffic as distinguished from

7555 another class is small. That which is absolutely distinctive?

A. No, sir, I could not admit that.

Q. Why not?

A. The reason is that I cannot, in considering the subject, divest

myself of what I know to be the controlling reason for these conditions I have mentioned to you. It gets right back to the foundation of the thing. We put on this particular character of service because it is required by the state.

Now having that service on there, which serves the state purposes, I am going to seek, I mean collectively, the men who are handling the details, are going to seek, with this known condition, to make the burden of that condition as light as possible. But the condition itself has been brought about by that. That is why I cannot answer the question as I believe you would like me to do.

Q. Those requirements existed when you went into business and acquired those various lines, didn't they?

A. Yes, sir; I would say so.

Q. You regarded the purchase of these properties as desirable, notwithstanding the existence of those conditions?

A. I am trying to qualify as an expert upon physical conditions and I do not want to approve or disapprove of the action of my controllers or the owners in what they have done.

Q. I do not want to ask anything that would be in any way embar-assing on that point?

7556 A. It would be presumptuous. They were thrown at me and I had to take up the thread.

Q. I will not press the matter at all.

Still, notwithstanding that, you will agree that the great body of the property existed, independent of this special class of traffic, and the great majority of your trains are run independently of it. That is, you said on direct examination that you run more through than local?

A. Are we speaking of freight?

Q. Yes.

A. It is not true of passenger. There are a few more local trains to passenger than through.

Q. Taking the total of both?

A. Consolidating both freight and passenger, there is a slight preponderance in favor of the through.

Q. So it remains true, as I suggested, that the greater proportion of the provision you have to make—the first thing is the road bed?

A. That is the great primary expense.

Q. And that is more than the equipment at any time?

A. Yes.

Q. About what proportion would that be?

A. I cannot even give an estimate with any degree of satisfaction.

Q. You are quite sure it is a great deal more than equipment?

A. It exceeds the equipment.

7557 Q. And you cannot have any kind of traffic without that?

A. No, sir.

Q. The main part of your equipment must exist without regard to your local traffic?

A. Yes.

Q. And that means the larger part of your expense would be incurred without regard to the local traffic?

A. Without distinctive regard, yes.

Q. That is what I mean.

A. I am attempting not to convey a false impression.

Q. Do you agree with Mr. Doddridge that the local rates in this state never were compensatory?

A. I do not know anything about rates.

Q. Don't you know anything about income?

A. Considered in its gross aspect only.

Q. Well, I will ask you to take it from your general knowledge as a railroad man. I infer from your statements on direct examination that that has been your life work.

A. Yes, sir, I have done nothing else.

Q. And you have been in various branches of the service?

A. Yes.

Q. You began as a station agent?

A. Yes, sir; station operator and station agent.

Q. At a country town, where you did all the work—that is where you were the "whole thing"?

A. Yes, sir; I was the "whole cheese."

7558 Q. I have an idea that is a good starting point for getting a knowledge of the business.

Then you have gone through from that the various grades of promotion, until now you are charged with the operation of the Frisco System and not only in the state but throughout the entire system?

A. Yes, sir.

Q. More than five thousand miles of road?

A. Yes, sir.

Q. And you have been how long operating that five thousand miles, or substantially what the system has been?

A. Something over four years.

Q. Now in the best of your judgment did the state freight ever pay in this state, during the period of your connection with the railroad?

A. To answer that, Mr. Lehmann, I cannot answer a thing of that kind by yes or no. I have got to say, considering these conditions, we have this set up, so I am glad to have it. It fills in.

Q. Do you think you would make money if you were to cut the state freight out of your business?

A. That is the same thing. I have got to consider this railroad is there and there is not a line of demarcation that I can see, as between the two. I am glad to have it all. That is the only thing I can say. We have a train to fill up and for that reason I am glad to have all that tonnage.

7559 Q. Do you agree with Mr. Doddridge that in order to make state rates compensatory you would have to put them so high that they would be prohibitory?

A. If you stated Mr. Doddridge correctly, I would not agree with

that. That would mean, in another way, what you asked me just now. You have run it up.

Q. Exactly, that is another phase of the same question. You would not agree that the business was not worth having, even on existing terms?

A. Under existing terms—I don't know that I understand that. I mean under existing conditions.

Q. I should have used the word "condition."

Mr. HAGERMAN: That is not quite an accurate version of Mr. Doddridge's testimony.

Mr. LEHMANN: I think it is.

Mr. HAGERMAN: What he claimed was that the return upon that part of the property at such rates would not be compensatory and never had been.

Mr. LEHMANN: I understood Mr. Gray to say that he does not agree to that.

A. I said not the way you stated it.

Mr. HAGERMAN: He has not stated it the way Mr. Doddridge did.

Mr. LEHMANN: I have a right to put my own interpretation upon what Mr. Doddridge said, if I please.

Q. Mr. Gray, as I understand you, the state fixes condi-
7560 tions for doing traffic within the state, and that being so you are glad to get this state business, having to comply with the conditions fixed by the state in any event.

What are those conditions fixed by the state to which you referred?

A. The law which compels a daily service.

Q. Of what kind?

A. Of some kind, so that having that to start from we make that service as near general in its character as we can.

Q. By daily service you mean there must be one train each way each day over the road?

A. Yes, sir.

Q. And that train may be a mixed train?

A. It may be a mixed train or it may be a passenger train, but it must be a train.

Q. But the requirement is that it shall be a train?

A. Yes.

Q. Will you please designate the portions of your road over which you would not run a train of some kind each day each way if it were not for that law?

A. The Chadwick Branch would be an instance—it is from Chadwick to Springfield.

Q. Any other?

A. The Salem Branch.

Q. Any others?

A. The line between Mingo and Willow Springs. The
7561 line between Zelma and Cameron. The two branches leading out of Pascola.

Q. Where is Pascola?

A. Pascola is a station between Kennett and Hayti and has two branches of almost equal length. They are about nine or ten miles.

Q. On each side?

A. Yes. Then the one from Deering and one to Wardell.

Q. Any other?

A. Yes, the line from Kennett to Leachville. The line between Vanduser and Aquilla. And the line between Gulf Junction, which is practically Cape Girardeau and Brooks Junction through Connor. The line between Aurora and Greenfield.

I believe I have stated all of them.

Q. What is the mileage of those branches?

A. If you will kindly permit me to pass that I will figure it out and hand it to you later.

Q. What would you do on the branch from Springfield to Chadwick in the way of operating if you did not run one train each day each way over that branch?

A. I would eliminate that service entirely on Sunday.

Q. You would eliminate the Sunday service?

A. Yes, sir; and I would feel privileged on certain portions of that branch to eliminate the service except every other day.

Q. On portions of it, you say. How long is the branch
7562 from Springfield to Chadwick?

A. Does your question refer specifically to that branch?

Q. Yes.

A. I thought you meant all of these branches.

Q. No, taking each one.

A. I would say in regard to the Chadwick Branch that I would eliminate the service there at least as far as Sunday is concerned.

Q. And how many trains do you run over the Springfield and Chadwick branch now?

A. One each day.

Q. Each day?

A. Yes.

Q. Including Sundays?

A. Yes, sir.

Q. You could not very well run less than a train each week day and have the branch developed at all?

A. The branch has not developed in quite a long time. I am speaking now from an absolutely selfish standpoint, dominated by nothing but, as I understood you, self interest.

Q. The point of view of operating the railroad—yes that is what I asked you.

A. That is what I am testifying to and I do not want to convey the impression that I would feel impelled to do that. But so far as that Chadwick branch is concerned, I would cut out that Sunday service.

Q. So the burden the state has imposed upon you is one
7563 train each way each day each week?

A. Yes, sir. With respect to that. And also the burden of having heated and lighted stations, which are not imposed by any other authority.

The COURT: Are there state statutes upon these subjects?
Mr. LEHMANN: Yes, your Honor.
The COURT: I would be glad to have them pointed out to me.

Mr. LEHMANN:

Q. You would not heat and light the stations?
A. I might have a difference of opinion in that regard. But the regulation is mandatory. It must be done whether there is anybody to use it or not.
Q. What is the length of this Chadwick branch?
A. 33.1 miles.
Q. That branch extends from Springfield the county seat of Green County, which is one of the large distributing points of the state, isn't it?
A. Yes, sir.
Q. To Chadwick, which is the Christian County county seat?
A. It runs through the county seat to Chadwick.
Q. What kind of country is that?
A. The lower part is rather rough country. The northern part is fairly good agricultural country.
Q. What is the character of the freight hauled over that line?
7564 A. Diversified forest and farm products.
Q. As to state and interstate, what is it?
A. The preponderance there, I should say, is state business.
Q. The preponderance?
A. Yes.
Q. Could you ascertain, is there any way you know of, of ascertaining that fact?
A. That could be ascertained by going into the records.
Q. What would be the relation, would you undertake to say, between state and interstate?
A. No, sir; I would not.
Q. There is a good deal of live stock comes out of there?
A. We have live stock days there on which stock is loaded. Those are just details.
Q. That of course is interstate in the main?
A. It is peculiarly so because the stock pens happen to be across the river in one case and part in the State of Missouri.
Q. But in the main that would be interstate?
A. Yes, sir.
Q. And interstate in your case here for another reason. Even if the stock yards were in Kansas City it would still be interstate, because it comes around on the Kansas Division?
A. Yes.
Q. So the split of the yards as between state lines would not cut any figure there?
7565 A. No, sir; but the preponderance of that stock goes to St. Louis.
Q. Is a good deal of fruit shipped from there?

A. No, sir. It is beginning to take on that aspect.
Q. A good deal of grain?
A. A very moderate amount.
Q. That is shipped to Chicago?
A. That is consumed by either feeders or the local mills.
Q. There is not much shipped out?
A. By the local mills I mean Springfield and Republic and Verona.
Q. You cannot give the proportion of state and interstate?
A. No, sir.
Q. There is no trans-state traffic over that branch at all?
A. No, sir.
Q. Now the Salem branch: that is from Cuba to Salem, and is about how long?
A. That is forty miles.
Q. How many trains do you run over that branch, from Cuba to Salem?
A. We have a mixed train that runs daily except Sundays, and a passenger train which runs daily.
Q. Every day in the week?
A. But it is changed around on Sundays. It runs every day in the week but on a different schedule on Sunday.

7566 Q. On your Salem branch you have, regardless now of the particular hour of running, two trains each day each way, saving and excepting Sundays, on which you have one train each way?
A. Yes, sir.
Q. So far as the week day portion of it is concerned, you have one more train than the state requires you to run?
A. Yes, sir.
Q. So you go beyond the requirements in that case, beyond the positive obligation of the state?
A. No, sir; we have one train every day which the state requires. Now we have a local train, the other portion of the week. But we have to comply with the state law which requires a train every day. That is the train I testified I would take off, that service on Sundays.
Q. Probably we are not so very far apart as you think.
If I understood you aright you have two trains each way each week day?
A. Yes, each week day.
Q. And one train each way on Sundays?
A. Yes, sir.
Q. The requirement of the state law is simply that you shall have one train each way each day?
A. Yes, sir.
Q. So you could comply with the state law by taking off one train each day each way during the week?

7567 A. Yes, sir. In order to be perfectly accurate, during the summer months we have a Sunday train in addition to the one I have testified to, which has nothing to do with local

conditions and is run down in an effort made by the passenger department, what they call a "Fisherman's Special."

I want to be perfectly accurate in my testimony is the reason I make this qualification.

Q. It remains true, however, that you are rendering on the Salem branch more service than is required by law?

A. I am not clear that I follow that. You mean on the week days we are running more than is required by law?

Q. Yes.

A. Yes, that is, more train service.

Q. We are talking about train service.

A. Yes.

Q. Mingo to Willow Springs, what is your service on that?

A. That sub-divides. The run from Willow Springs is to Grandon.

Q. From Willow Springs to Grandon then, what is your service on that?

A. That service, we have a daily mixed service, which while carded as mixed is more frequently a passenger train. Then we have a local which alternates—goes down one day and goes back the next. It is a three times a week.

Q. What you call a tri-weekly?

A. Yes, sir; that is the service between Willow Springs and Grandon.

Q. That is more than the law imposes as a fixed obligation?

7568 A. It is more and less. That is, it is more on week days and not any more on Sundays.

Q. Taking the total of the week, it is more than the law imposes?

A. Yes, sir.

Q. You run one train every day and then you run a train every other Sunday?

A. Yes.

Q. Then there would be from Hunter to Mingo?

A. From Hunter to Mingo is another line. That distance is 45.8 miles.

Q. And what service do you run on that?

A. We have a mixed train each way each day.

Q. That is the whole of that?

A. Yes, sir.

Q. What would you do there, if not constrained by law?

A. I have always had to treat this as a condition and not as a theory and I would have to go into the condition before I answer that question. If I were privileged to do certain things and decide what I would do, but I could not decide that on the theory of what I would do if I might be left to do what I pleased. In other words, I have never considered as a possibility that which you now ask me to pass on.

Q. That is one of the recent acquisitions, that branch?

A. Yes, sir.

Q. These conditions exi-ted here and your people thought
7569 it worth while to acquire that branch?

A. They were not quite as bad as they are now. The tunnel did not fall in until afterwards.

At this point a recess was taken until two o'clock p. m.

7570 After recess on Thursday, November 12, 1908, the following proceedings were had.

C. R. GRAY, recalled for further cross-examination by Mr. Lehmann:

Q. Now, the rest of them, Mingo and Willow Springs Branch is operated from Hunter to Willow Springs?

A. From Greenfield to Willow Springs and from Hunter to Mingo.

Q. What are the conditions there as to the trains you operate?

A. Which of the two?

Q. Either one.

Q. I believe I have testified already with regard to both sides.

Q. Oh, you have?

A. Yes, the line between Hunter and Mingo has a mixed train each way daily.

Q. I didn't want to repeat. Zelma and Campbell is a line fifty-six miles long: is that operated as one?

A. That is operated—that is a pretty difficult nest to understand down there, Mr. Lehmann.

Q. That is getting into the Hauck district, is it?

A. Yes sir. Between Zelma and Bloomfield, which is an intermediate station we have a mixed train each way daily. Between Bloomfield and Campbell we have the same service.

Q. Well, now, which of those trains would you take off if you were at liberty to do so?

A. Will you pardon me if I ask you a question?

Q. Certainly.

7571 A. Are you asking that in my position as circumscribed by law, or as dictated by fair business judgment; or as dictated by a sense of moral responsibility to a public that we are endeavoring to serve?

Q. Well, what I wanted to get was to distinguish between how much you were doing under what might be called the compulsion of the law, and how much you were doing as a matter of fair business judgment left to your own discretion. Taking all the elements in which would govern your actions as a man, you would not be expected to run a railroad from motives of philanthrophy; yet I take it you would have some public spirit, Mr. Gray?

A. Based upon purely sordid considerations, a train every other day.

Q. A train every other day?

A. Would be an economical measure for the railroad company.

Based upon fair considerations from the moral obligation to the public we would have a train every day except Sunday.

Q. That would cover between Zelma and Campbell both, would it?

A. Yes, sir. That would cover largely that territory.

Q. Now, you have two branches out of Pascola, one each way, I believe?

A. Yes, sir.

Q. And how are those operated?

A. They are operated with a mixed train which goes to the two places every day.

Q. Now, answer with respect to this in the same way; what would you do?

7572 A. Until my attention, I might say, was called to the fact that there was a state law which compelled service every day, there was sometimes that we did not operate more than a train a week at each one of those places.

Q. How much mileage is included in those two branches?

A. Thirteen miles. That includes Pascola as a fairly central point.

Q. The two branches together?

A. Yes, sir.

Q. Now, Kennett and Leechville. That distance is not given here.

A. With the sense of responsibility that I have stated that service should be daily except Sunday. But the law compels it every day. That is the distinction.

Q. The Sunday train is the additional train?

A. Yes, sir.

Q. And Van Duser and Aquilla?

A. Van Duser and Aquilla have service of one passenger train each way daily.

Q. A freight train also?

A. I want to change that. We have a passenger train one way daily. In the other direction and Sunday only. That is a peculiarity I hope you won't ask me to explain. That is an awful funny mess down there. We have a mixed train. I can explain it. We have a mixed train in one way every day except on Sunday. And in the other way every day. In other words, we have two mixed trains. To make myself clear: we have a mixed train in one

7573 direction every day except Sunday, and *and* on Sunday we have a passenger train in that direction. In the other direction we have a passenger train each way daily, and a mixed train each way daily. It is two trains each way.

Q. It amounts to a train in each direction?

A. It amounts to a train in each direction except Sunday, when there is one train each way.

Q. That is fourteen miles, that distance? Kennett to Leechville, will you give that distance to me please? I took the fourteen miles from the memorandum handed to me.

A. Kennett—Leechville, twenty-five miles.

Q. Now, Gulf Junction and Brooks Junction.

A. Gulf Junction to Brooks Junction approximately twenty-six miles; 25.9 I think it should be. That service at the present time is a passenger train each way daily and a mixed train each way, except Sunday.

Q. Aurora and Greenfield?

A. If you will pardon me——

Q. Yes, certainly.

A. I will say that we would not give that daily service. And it is only with what we feel to be a regard to the local conditions there that we give that passenger train at all.

Q. Aurora and Greenfield.

A. That is a very peculiar condition. The only towns of any importance whatever are served already by the main line with the single exception of Greenfield, which is just a short distance away. You notice it runs from Aurora across the main line at South
7574 Greenfield, and runs up two miles, or three to Greenfield.

Q. Aurora and Greenfield that is served by the main line.

A. Cross the main line, so that the main line is within almost omnibus distance of Greenfield; passes through Aurora. These are very small towns in here (indicating) insignificant towns.

Q. But there is a sort of distinct community there, as I understand the map, Mr. Gray, that is served only by that line?

A. Yes, sir. I meant that the important points, the two larger points, are already served by the main line.

Q. By the travel that they would naturally have?

A. Yes, sir.

Q. Now, this here (indicating) how do you run your trains on that?

Mr. HAGERMAN: Between where, do you mean?

Mr. LEHMANN: Between Greenfield and Aurora on the branch line.

A. We have a passenger train in each way there and the local freight. And in an effort to serve the County seat, making it possible, we make connections as nearly as possible with the main line trains in all directions. For instance, we have two passenger trains. We have a passenger train a day between Aurora and South Greenfield, and then we have our three passenger trains each way a day between South Greenfield and Greenfield. That is a short distance up there. Make all the main line connections and serve that community.

Mr. EVANS: You mean the main trains on the main line?

A. Yes, sir, I mean the main trains on the main line.

Mr. LEHMANN:

7575 Q. Now, Mr. Gray, none of these branches do an exclusively state business, do they?

A. No, sir.

Q. They all of them do interstate?

A. All of them do interstate business, yes, sir.

Q. And you get from all of these little local lines that we have

been spending some time on here last, you get traffic that goes beyond the branches themselves?

A. Yes, sir.

Q. And in that way regard them as of value as feeders?

A. They are feeders in the sense that you take it.

Q. And is it that element in those branches that you regard as of value to your system in its entirety?

A. Yes, sir.

Q. And so for that reason you would rather have them than not have them?

A. Yes, sir.

Q. Now, you expend considerable money to get traffic, do you not?

A. Yes, sir—you mean the soliciting department?

Q. Yes, and in various ways.

A. Yes, sir.

Q. And you have men whose business it is to do nothing but solicit traffic, have you not?

A. Yes, sir.

Q. Both freight and passenger?

A. Both freight and passenger.

Q. And for that purpose you also maintain offices not only upon the line of your system, but beyond in communities where
7576 there is traffic which when it reached your fields might go either over your line or over some other line?

A. Yes, sir.

Q. Competitive traffic originating beyond your lines?

A. Yes, sir.

Q. Most of the traffic originating on those branches, I take it, is noncompetitive—looking at the map I suppose most of it is noncompetitive, is it not?

A. As to the vast majority of that business it is local.

Q. Yes, and non competitive, it must go over your line?

A. I meant to use it in that sense,—noncompetitive.

Q. It must go over your line?

A. Yes, sir.

Q. And that does not involve any soliciting expenses at all, does it?

A. No, sir.

Q. Don't you think now as a man when you come to estimate the value of that traffic to your road, when you come to consider whether it is a burden or whether it is a benefit, that that ought to be taken into account that it feeds your main line?

A. I believe I have taken those elements in consideration, Mr. Lehmann.

Q. You think it should be taken into consideration, do you not?

A. Yes, sir.

Q. And there should be a compensation allowed for that, either, if you please, in the way of a direct allowance or by re-
7577 ducing the amount of burden that you would charge to them. In other words, come to the same thing, but it should be allowed in some way.

A. I believe that you would find it to be infinites-mal as applied to any of those arguments.

Q. Isn't that true of a greant many of the other things you have suggested, it would probably cost more to figure it out whatever the exact proportion——

A. I could not figure it out.

Q. Wouldn't you say for example, as to your personal injury account that a difference between that proportionately chargeable to state traffic, state travel, is negligible as compared with the average over your line?

A. No, sir, I would not say that.

Q. Are you able to state how much of your operating expenses are chargeable to personal injury account?

A. Not offhand. I can figure it in a few minutes.

Q. To answer that question as in the others, it would be about one per cent, wouldn't it?

A. No, be more than that.

Q. I am speaking of the total of your system?

A. Yes, be more than that. I can give you the figures exactly if you——

Q. If you can conveniently.

A. I can't say. I can set some one to figuring. It is a matter of record.

Q. That is what I supposed. I have a memorandum here which relates to the three months ending September 30, 1907, with
7578 the total of injuries to persons $15,107.28, which is figured to be .55 of one per cent. Is that correct?

A. .55 of one per cent of what?

Q. Of the total of your operating expenses.

A. I would have to verify those figures, which I could do here in a few minutes.

Mr. HAGERMAN: What period of time is that?

Mr. LEHMANN: Three months.

Mr. HAGERMAN: That the statement covers?

Mr. LEHMANN: Yes.

A. It will save time if you will let some one else figure it.

(Witness asks assistant to do the figuring requested.

Q. It has been figured here for me. I was asking taking in the whole. I think the four per cent is about right as to the whole as I have it here. I was going to take up other items. The total loss and damage, as I am advised, of freight was $62,409.41 or 2.77% of your total operating expenses for that time. That injuries to persons was $15,107.28, or .55% of the total operating expenses for the same time. And baggage $2,025.93 or .07 of one per cent, of the total operating expenses, that is, as given here.

A. I would not undertake to say. I can, of course, give you the figures as soon as I get them right here. I wouldn't undertake to say those are correct or not correct—granting they are correct.

Q. Yes, assume they are correct.

A. I am assuming they are correct.

7579 Q. Now, the greater mass absolutely would be chargeable to interstate and transtate shipments, would it not? I am not speaking now proportionately, but absolutely.

A. I would not agree to that wholly, as you might misapprehend me. There is the possibility that a majority of that expense could fairly be attributed to interstate and transtate business?

Q. Yes.

A. Just what that is I haven't got——

Q. You wouldn't undertake to make the apportionment?

A. No, sir.

Q. Between the two?

A. No, sir.

Q. Now, your heavy losses, of course, come from collisions and things of that kind, don't they?

A. No, sir. Our heavy losses come from the little every day happenings. They don't come from big things.

Q. A collision involves a good deal of expense when it does occur?

A. A collision is a very infrequent thing.

Q. Yes, I know it is infrequent, but it is disastrous.

A. Yes, sir, it involves a great deal of expense, but it is not comparable with the little every day affairs that attend the proportion of losses.

Mr. HAGERMAN:

Q. That is, at the end of a certain time the little things amount to considerable in the aggregate?

A. Yes, sir, that is what I intend to convey.

Mr. LEHMANN: It would require a considerable period to

7580 sort that over and obtain your average?

A. Yes, sir.

Q. Now, are those segregated in your accounts?

A. No, sir.

Mr. HAGERMAN: What do you mean by "segregated"? Between state and interstate?

Mr. LEHMANN: State and interstate. In any way whatever.

A. We do not compile those.

Mr. HAGERMAN: That is, they just go into one large account?

A. Yes, sir.

Mr. LEHMANN:

Q. When this litigation began, or since this litigation began, have you or anyone at your suggestion, attempted to make a close scrutiny into the relative cost of state and interstate transportation to get some definite figures upon the business?

A. No, sir.

Q. And you are speaking from the general impressions upon your mind as the result of your observation of the operations of your road?

A. Yes, sir.

Q. Have you the figures there? Just glance at them and see if I have them right?

A. This personal injuries for the year 1908, the fiscal year ending June 30, 1908, one and one half per cent of the total operating expenses.

Q. That is a different period than the one I have.

Mr. HAGERMAN: He has not the same figures.

7581 Mr. LEHMANN: That is for your entire system?

A. Yes, sir, that is for the entire system.

Q. I had it for Missouri, the figures I suggested to you have relation to Missouri for the three months ending September 30, 1907, so that that does not compare with your statement. I mean this is an entirely different statement.

Mr. EVANS: In other words, your statement covers three months, and his covers a year?

A. Yes, sir.

Q. His covers state and yours interstate?

A. Yes, sir.

Mr. HAGERMAN: You understand, Mr. Lehmann, the way the accounts are kept they get up a year's statement to cover everything. To get up a statement like this where they have got to check over the shipments to divide and separate state from interstate you can't get it up that way.

Mr. LEHMANN: I simply intended to indicate there was no conflict between our figures. My figures are different from his.

Mr. HAGERMAN: I was speaking more particularly that it might be part of your annual report say for the entire year's earnings, as the business is conducted. Now, that won't divide state and interstate earnings. That is where the trouble comes. In making up these statements they have to check over the original waybills and tickets from conductors in order to separate them, Therefore we have to take the original bills of lading in order to get up a statement and turn them over to the state's experts because they have got to have it

7582 just like we have got *it* it, for the same period of time.

Mr. LEHMANN:

Q. Have you, among the archives of the company, so far as you know, any of your tariffs or schedules of freight rates as they existed before 1875?

A. I do not know that, sir. I would deem it very unlikely.

Q. Or any record which would indicate what the state rates were at that time?

A. I would not know about that.

Q. Now, a number of your branches, I observe here, are not limited to the state, that is, they pass, for instance, Linton to Carson Center, and Benton, that is down in Arkansas. There are a number here that are not confined to the state. Here is one from Mingo to Hoxie.

A. That is one I said.

Q. Well, but where your branches cross the state line that way do you make any difference between the state and the interstate

rates, or are they practically the same for the same distance and for the same service?

A. Mr. Lehmann, I do not know anything about rates.

Mr. EVANS: He has not testified about rates.

Mr. LEHMANN:

Q. Do you not keep track of the rates?

A. No, sir.

Q. You are in charge of the operations. I take it that you would want to know whether the operation of any line is profitable or not; you would keep advised to that extent?

A. No, sir, that is not a responsibility of mine, in any wise. Profitable or unprofitable I have got to operate the road.

7583 Q. Your function is really to operate as efficiently and economically as you can?

A. Yes, sir.

Q. Consistent with efficiency?

A. Yes, sir. And with due regard for what we should morally give the public.

Q. And whether that is profitable or unprofitable is not your concern?

A. It is not my concern.

Q. Now, you operate you say about one local freight to three through freights?

A. That is stating it roughly, the condition as I would regard it, over our entire line.

Q. How do you determine that? How do you make up your determination that you have one local and three through? That is, how do you average up as against these trains that operate over the little branch lines?

A. In stating that, as I tell you, I have tried to state as I recall it, the whole situation.

Q. That is what I want to get at, practically on a mileage basis, I take it in merely putting it on a mileage basis it would change because the length of the local runs is less.

A. I have tried to state the number of trains as distinguished between the number of miles, because the local run is ordinarily less, frequently less than the through run.

Q. Then the train mileage in your freight service of your interstate trains would be more than three times as great as that of the train mileage of the state freight trains?

7584 A. It would probably be slightly in excess of that.

Mr. HAGERMAN: That is the mileage?

A. Yes, the train mileage. This is freight we are talking about.

Mr. LEHMANN:

Q. Yes, we are talking about freight. I had the idea that the number of small branches you had, counting each train run there as a freight train, they would be more numerous than your through trains.

A. When you bring them into the mileage basis then you increase the through train ratio.

Q. What is the bulk of your business done on your branch trains, that is, in volume, state or interstate?

A. I believe it is a fair assumption to say that there is a preponderance, a slight preponderance of the interstate, including the two classes, interstate and trans state, as distinguished from state.

Mr. HAGERMAN:

Q. When you speak of trans state you keep confusing me with interstate. By trans state you mean where it starts out of the state and goes through the state; interstate, where it either terminates in the state or starts from the state?

The COURT: Trans state would be from Topeka to Indianapolis?

A. Yes, sir.

Mr. HAGERMAN:

Q. When you use trans state and interstate you mean two different classifications?

A. Yes, sir, the two are contrasted against the one. The trans state being just as Mr. Doddridge used the expression.

7585 Q. I merely asked the question so we would have it clear in the record.

Mr. LEHMANN: I so understood.

Mr. HAGERMANN: I understood that was so, but I thought it had better be put there plainly.

Mr. LEHMANN:

Q. The general character of the state and interstate freight on these branch trains is essentially the same, is it?

A. I think it is fair to say that it is essentially the same.

Q. The "in" freight would be largely from jobbing centers I take it, that is, supplying the domestic needs of the people living along the branches?

A. From the various bases of supply, some food stuffs, jobbing centers. The outbound stuff being products of that particular community.

Q. And this supply of the domestic needs of the people living along the line is drawn from out of the state as well as in the state, so that it is some state and some interstate?

A. Yes, sir.

Q. And the outbound freight is more likely to be interstate than state?

A. Yes, it is just as likely. But where I say there is a slight preponderance, it is fair to say it is likely to be interstate.

Q. Now, in your state revenues all of your state tariffs are higher than your interstate tariffs on the small traffic, so far as the mileage is concerned, is it not?

7586 A. Freight?

Q. Yes.

A. I know that, Mr. Lehmann, by virtue of the fact that our ton mile revenue is a little bit higher. I do not know that of any personal knowledge that I have with the situation.

Q. You haven't figured to arrive at that?

A. Yes, because it was submitted here in evidence.
Q. You have it just as it is indicated here?
A. In the record?
Q. And have it just as the rest of us have it?
A. Yes, sir.
Q. Now, taking your ton mileage as a basis, and what conclusion do you reach as to the relative cost of producing a ton mile in the state service as contrasted with the interstate service?
A. I have been convinced for some time, as I testified this morning, or last evening, that for the various reasons which I have given, this relative proportion is somewhere between three and five. If I modified that in any way I would say that it was somewhere between three and six.
Q. Well, now, in order to get at that you, of course, must have some knowledge of the different elements of expense entering into the conduct of the business. Now, you must have some knowledge then of the relative amount of the state traffic as compared with the interstate because the cost of producing a ton mileage is affected materially by the density of the business, of course, isn't it?
A. Yes, sir.
7587 Q. In other words, the more dense your business becomes——
A. You speak now as a broad general proposition?
Q. Yes, we are speaking generally. The denser the volume of your business the less it costs, per unit?
A. Until you get to the point where your facilities would not handle it, and then it multiplies.
Q. It goes up again?
A. The other way.
Q. That is, when you add facilities and do not use those added facilities to the full extent it costs more per unit than it did just before?
A. Yes, sir, if you have insufficient facilities it costs more per unit than it did with less business.
Q. But if you had a demand in excess of your facilities, you wouldn't allow that condition to remain in would you, Mr. Gray?
A. I think all of us have had in rates sometimes——
Q. That, after all, you do not regard as an affliction?
A. That is not an affliction, it is an *affliction*——
Q. I thought not——
A. —on the public.
Q. But that is a condition, if it continued, you would remedy, would you not?
A. Yes, sir.
Q. And would be glad to remedy?
A. Yes, sir.
Q. With profit to yourself?
A. Yes, sir.
7588 Q. So that we can fairly leave that out of the question, and let the broad proposition stand, that with the increase in the volume of business, that the cost per unit decreases?

A. Density coupled with haul. Those two things are absolutely inseparable.

Q. Oh, yes. Now, what is the relation in percentage of your purely state traffic, that which begins and ends in the state of Missouri, to the interstate traffic and the trans state traffic of Missouri?

A. In the same schedule attached to exhibit No. 2 the percentage, as I recall it, is 13.1% of the ton miles, of the gross ton miles, produced from the strictly state traffic.

Q. Here you have got 13.1% of the volume on the one side, and that leaves you 86.9% upon the other. Now, what proportion of the entire operating expenses would you assign to the 13.1 traffic on the one side—assume, in order to have an easy figure——

A. I haven't assigned that.

Q. That is what I would like——

A. I understood the Court was going to do that.

Q. No, the Court determines the principles upon which it is done, and we have got to furnish the facts.

A. I have testified, Mr. Lehmann, that in my opinion as a physical condition, that the expense upon handling the strictly state business was from three to five or six times as much. Now, if you will kindly repeat that question, in view of that statement, I would be glad to answer it.

Q. My question was as to why your purely state traffic is 13.1% of the whole total? That leaves 86.9% for the interstate and
7589 trans state traffic.

A. Of the expense?

Q. Now that is of the volume of traffic.

A. Those are the two relative ton mile percentages?

Q. Yes. Now, assume——

Mr. HAGERMAN: What is that ton mile percentage?

Mr. LEHMANN: 13.1% and 86.9%.

A. See schedule 6.

Mr. LEHMANN:

Q. Assume your total operating expenses to any given amount of traffic relatively on each side is $100,000. How much will you charge up to the 13.1% and how much to the 86.9%?

A. This hundred thousand dollars is composed of state, interstate and trans state freight.

Q. Yes.

A. If you will tell me the relative proportions as to revenue, or as to tonnage, I will venture an opinion on it.

Q. I have given you the tonnage. The tonnage is 13.1%.

Mr. HAGERMAN: That is ton miles, that is different from tonnage.

A. I would be willing to offer a suggestion on the ton miles.

Mr. LEHMANN:

Q. 13.1% of the ton miles on one side and 86.9% of the ton miles on the other side. Now, assuming it is made up—I don't know the proportions, between interstate, trans state, for example on your line—but taking the average of conditions.

A. There has got to be an element of miscellaneous earnings in that one hundred thousand dollars.

7590 Q. Well, Miscellaneous earnings. You mean by that, what?

A. Well, earnings from operations of terminals and operations of depots and demurrage.

Q. What is the percentage of those?

Mr. HAGERMAN: On a revenue basis I think 2.14.

Mr. LEHMANN: Your demurrage, some of it is state and some interstate; storage; some of it state and some of it interstate. More earned locally.

A. It is incidental to both.

Q. Yes, but wouldn't it be in about the same proportion?

A. It is incidental to both state and interstate.

Q. Wouldn't it be earned in about equal proportions; would it not be negligible here, the difference?

A. It has got to be accounted for in that hundred thousand dollars?

Q. Now, the hundred thousand dollars is expense. How would you apportion that one hundred thousand dollars of expense?

A. Well, but it is in the hundred thousand dollars of expense. I am not making myself clear. I am going to try to do it. We use switch engines to earn switching. That is in there. Our cars are switched on the side track, beyond our control for interstate. They earn demurrage. That is in that hundred thousand dollars. Our storage which we have earned is also in there. We have allowed somebody to operate there, load some freight from the main line. We furnish a train to unload it. We have charged them for that. That is in there. Miscellaneous earnings, expenses are in that hundred thousand dollars.

7591 Q. I don't know, of course, how your accounts are kept, but I take it——

A. Everything—if you will pardon me, Mr. Lehmann—everything that we have spent for operating expenses is in that one hundred thousand dollars.

Q. Now, I do not know, I have taken your accounts as furnished by your auditor showing 13.1% of your total traffic to be purely state, and 86.9% of your ton mileage to be purely interstate and trans-state. I am taking that. Now, assuming tnat it costs one hundred thousand dollars to do the business on both this state ton mileage and this interstate ton mileage, how would you apportion the one hundred thousand dollars between the two?

A. I can't do it—to start with I can't make a violent assumption of that kind, because I am governed by conditions. And the expenses contain all of those disbursements, if you please that we have made, not only in these earnings, but they are from these other sources.

Q. Well, excluding miscellaneous earnings, and the expenses incident to miscellaneous earnings altogether.

A. By that you mean——

Mr. HAGERMAN: Treat the hundred thousand dollars as if it was all expense of just purely freight, interstate and state.

A. I wouldn't attempt to do that; they are just as inseparable as anything could be.

Mr. LEHMANN: Now, where do you charge such service? Do you charge that to state or interstate?

A. Charge it to expenses. I haven't divided them at all.

Q. In your estimate that it would take from three to six times as much to produce a ton mile of freight in state service as in interstate service, where did you charge it? When you made
7592 that estimate where did you charge expenses of miscellaneous earnings?

A. In order to make and reach any kind of a ton mile basis, you have got to start on revenue basis. That is the difficulty with it. You have got to take out of your expenses the proportion that your miscellaneous bears to your revenue, and that brings you right back to the revenue basis.

Q. Mr. Gray, your costs are inexorable, are they not?

A. I have found them so.

Q. You are sure of your costs and expenses. And don't you begin with spending money instead of beginning with receiving it?

A. Yes, sir.

Q. Now, then, why isn't that the legitimate point to begin then in ascertaining the cost of doing business, inasmuch as you incur the cost before you get the pay?

A. I don't believe I follow that, Mr. Lehmann:

Q. It costs you so much to do this service, and the cost would be there if every shipper became a bankrupt, and you never got a dollar for it. If you did not get a dollar for any of this business, none the less you did the business, there would be——

Mr. HAGERMAN: That is the cost of the whole undivided?

Mr. LEHMANN: I would like to find—we will just assume that you did not get any money at all for that business, that nobody paid you, and you had delivered the freight, but it costs you $100,000 to do it. How would you apportion the cost you had incurred? And it is just as capable of apportionment in a way as if it had been paid to you.

A. Well, then, I will tell you what I would do with it. You have asked for my opinion of how I would apportion this
7593 expense?

Q. Yes, sir.

A. I would take the earnings which I ought to have gotten from miscellaneous sources and take the proportion, the percentage proportion that these miscellaneous earnings bore to the total. I would take that out of the one hundred thousand dollars to start with. Therefore, I have already used the revenue basis as far as I have gone. Then I would set down this problem, or set up this problem: that as an assumption I start with the basis that 13.1% is the state.

Q. Yes.

A. And that 86.9% is the balance.

Q. Yes.

A. Then I will multiply this 13.1 by whatever the Court decides of these varying conditions that I have stated—we will say it is two——

Mr. HAGERMAN: If the Court finds twice as much.

Mr. LEHMANN: I want to find now——

Mr. HAGERMAN: Assume it is actually twice as much.

Mr. LEHMANN: No, I want his opinion as to what it is. I do not want the assumption. I am not asking for the assumption. I want to know what you really think it is.

A. I have said to the very best of my ability I think it is somewhere between three times and six. I have got just as close to it as I could.

Q. That is a very wide range.

A. It is a varying range. I have found it bigger than that. In other words, I have had to compress from above to come in
7594 the range rather than from below.

Q. You think it is six rather than three?

A. No, sir, I do not. But I think that considering all the circumstances that it is somewhere in that neighborhood, that range, which I have given.

Q. Manifestly there must be some facts some fundamental facts underlying that condition, and some you have suggested. Now, what proportion, for example, of taxes would you assign to the state business?

A. I fluttered around this thing quite a while. And I finally decided whatever anybody agreed with me, after hearing me, was a fair proportion I would apply to everything, from top to bottom.

Q. Well, but you wouldn't say that the relative increase was the same in every possible element of the service, would you?

A. No, sir. But I don't contend that for a moment. I contend that it will run from say one to ten. When you compress this thing and try to reach—in other words, I want to be understood as saying this: I don't believe any man or agency is ever going to say with any degree of accuracy what it is.

Q. I would like to find out which belong in the "1" class and which in the "10" class. What would you say as to taxes: what did you take into account as to the taxes, the proportion to be assigned to the state traffic when you say from three to six of the whole.

A. I am taking it all when I say three to six. I might have said, and if you will permit me, I will qualify that by saying from 0 to 10, because there are factors there that some one might
7595 fairly say are—and I couldn't controvert it and even satisfy myself that there is a difference between it.

Q. Now, every total is made up of its parts. You make your range from three to six dealing with factors that may run from 0 to 10. But what I am trying to do is to get an analysis into its component parts of the general estimate that you have made. Now, what do you think stands as nothing? In other words, you mean that is equality, between state and interstate? Why don't taxes stand on that footing?

A. I would say that taxes and rentals possibly stand on that footing.

Q. Why wouldn't interest upon the bonded debt, taking that into account, perhaps not as an operating expense, but as still an element.

Mr. HAGERMAN: Not in the extra cost, in ascertaining the extra cost.

Mr. LEHMANN:

Q. Would you charge in any more than the relative proportion of bonded debt to the state freight?

A. No, I do not believe I would, or approximately that.

Q. Now, come to your maintenance of way and structures. That divides itself into different elements. We will take, for example, the maintenance of the roadway. What causes the wear upon your roadway? I am leaving out the rails now. Just the roadway.

A. Why, decay, erosion, action of the elements. And the use given all parts of it by the traffic that it bears.

Q. The use is a very small part of the depreciation of the roadway, isn't it?

A. No, sir, it is not.

Q. Well, now, I am speaking of the roadway independ-
7596 ently of the rails now.

A. You take your structures which are a very expensive part of your railroad, steel structures, and use is absolutely what governs the life of those. I say absolutely, but practically it is the——

The COURT: Crystallizing it?

A. No, sir, it is the strain. Metal, experts agree, tires like anything else.

Q. That is crystallizing, isn't it?

A. It is a process of crystallization. It is just like taking a piece of wire and moving it a certain number of times breaks it in two.

Mr. LEHMANN:

Q. I was speaking now of the roadway itself, what would you say to the suggestion that not more than ten per cent of the depreciation of the roadway itself is due to the train mileage over it, and that nearly ninety per cent of the depreciation is due to natural forces?

A. No, I think the contrary. I think that it is a fair assumption that the local traffic, the conditions under which the local traffic is handled, contributes a greater per cent than an exact equivalent. You mean depreciation as represented by repair?

Q. Do you know anything of Mr. B. H. Coverdale? Of the American Society of Civil Engineers?

A. No, sir.

Q. Are you familiar with the publication known as the "Transactions of the American Society of Civil Engineers"?

A. No, sir.

7597 Q. Are you familiar with the statistics of the Pennsylvania Railroad?

A. No, sir. Not at all.

Q. That is regarded as a sort of a standard railroad, is it not?

A. It is a standard eastern road.

Q. What would you say of the Pennsylvania System charging all of the maintenance of rails, 33⅓% of the maintenance of ties; and ten per cent of the maintenance of roadway, tranks and bridges against the train mileage?

A. Well, I wouldn't feel qualified to criticise that.

Q. What do you think about this proposition: Mr. Eaton, a civil engineer says that the character and amount of the traffic determines in a general way the types of track and bridge structures, but large sums are spent annually for the maintenance of such structures, which have nothing whatever to do with the train mileage.

A. I believe that is a fair assumption from the standpoint of a railroad beyond the grasp of close necessity.

Q. What do you say to this proposition: that widening banks, sodding slopes, cutting weeds, repairing fences and track signs, many tie renewals, painting bridges and buildings, renewing buildings and bridges destroyed by fire, flood or miscellaneous, substitution of steel and masonry for wooden structures, grade reductions, revisions of alignment, and other betterments of magnitude not chargeable to capital account; all these items of operating expenses depend in no way upon the train mileage.

7598 A. If he had some of the banks I have got, he would think they did. That is a condition that could not be—that is a statement that could not be controverted—yes, sir, from a first class railroad we get to a point where we could get——

Mr. HAGERMAN: Those statements were made as to the division between passenger and freight, not between state and interstate.

Mr. LEHMANN: ..

Q. The question is, whether or not they are a fair charge to train mileage, what proportion of that is really a fair, and what proportion——

A. Mr. Hagerman has gone to the——

Mr. HAGERMAN: I understand that. I understand your opinion as to that. What I am calling attention to is the statement that when they were making that it was as between passenger and freight, instead of between state and interstate.

Mr. LEHMANN: What has that to do with the question as to whether the roadway was depreciated by natural elements or whether by mileage? A fact is a fact.

Mr. HAGERMAN: I haven't any objection to the fact, only assuming that the statement relates to the inquiry we have on here now. I am perfectly willing for him to answer the question.

Mr. LEHMANN: I assume that the statement relates to the very inquiry we are conducting here now. If this expense is not due to train mileage, but is due to the elemental forces, in my judgment it would be distributed in a different way than if it was due to train mileage, and the fact is the fact, no matter what the purpose of the inquiry is.

Mr. HAGERMAN: That would probably be the fact if it were relat-

ing to something that is strictly elemental, but you take your
7599 maintenance of structure, for instance, that is used by freight alone——

Mr. LEHMANN: Do you know anything about T. F. Woodlock?

A. I don't want to be considered as dodging the other question. I want to say that probably a great proportion of that is chargeable to natural causes, and is not a proper charge to betterments.

Q. Do you know anything of Mr. T. F. Woodlock, as a civil engineer, and authority on railroad maintenance?

A. No, sir, I do not.

Q. Do you know anything of Mr. Eaton?

A. No, I just know there is such a person.

Q. Do you know whether he is a man of standing in that field of civil engineering?

A. In regard to the technical question, of course there is no question of his standing.

Q. Now, Mr. Haines?

A. What Haines is that?

Q. I haven't his initials here. I have here a report of an inquiry by the Railroad Commission of Wisconsin, in which they say that Mr. Woodlock——

Mr. EVANS: That is certainly incompetent, and hearsay.

The COURT: If it is for you you will probably want it in before you get through with it.

Mr. EVANS: That may be. We would like to know.

Mr. LEHMANN: I am simply reading from it for my own information, so as to inform myself.

The COURT: What report is it?

7600 Mr. LEHMANN: Report of the Wisconsin Commission.

The COURT: Do you want it in?

Mr. EVANS: We do not object, if it is for us, all right.

Mr. LEHMANN: In other words, if the facts are for you they are true, and if for us they are not.

Mr. HAGERMAN: Let the thing speak for itself.

Mr. LEHMANN: It don't speak satisfactorily until you find the conclusion.

Mr. HAGERMAN: The conclusion is what we are after.

Mr. LEHMANN: These experts place the depreciation of the roadway at ninety per cent, as due to natural causes, and only ten per cent as due to the train mileage. How much did you allow in your estimate of from three to six per cent when you made it up?

A. I have had in my mind throughout the operating expenses as a whole, anything that is properly chargeable to operating expenses. And I would not agree with that percentage.

Mr. HAGERMAN: As to your road?

A. As to the Frisco Railroad.

Mr. LEHMANN:

Q. Well, how much of the expense of maintaining the roadway do you charge to train mileage over it, in your judgment?

A. I would say that of our mileage in Missouri the large portion of which is unballasted, that it would run nearer 33⅓% than ten.

Q. That would leave 66⅔% of it due to natural depreciation. Now, do you think that the expense of repair due to natural depreciation of roadway should be charged against the state traffic in any other proportion than that of the benefit which it re-

7601 ceives.

A. Understand me, 33⅓% is the materials, it is not the grading, expense of maintenance of way which represents the men that work on it and keeping it up under the train all the time.

Q. Well, as I understand you estimate that 33⅓% of the depreciation of the roadway would be due to the train mileage over it?

A. Depreciation—If you said roadway, I misunderstood you. I thought you said you were taking into consideration the materials that compose that roadway.

Q. No, the depreciation itself, not ties.

A. Then if you eliminate ties, what is there there to——

Q. The bank, peculiarly subject to the action of the elements and especially where not ballasted it will wash away.

A. I would be willing to accept ninety per cent of the bank; I wouldn't charge over ten per cent of the bank renewals in my estimate of expenses.

Q. Very good. Now you accept that. Now, then, ninety per cent of the cost of depreciation of the bank, roadway, eliminating ties, and so forth, and how much of that ninety per cent would you charge up to the state traffic?

A. I would be willing to eliminate that entirely.

Mr. HAGERMAN: It is eliminated in the item of cost.

A. Yes, on the same basis.

Mr. LEHMANN:

Q. What would you say to the fact that you would charge maintenance of rails entirely to the train mileage, as due to that.

7602 A. Yes, sir, I would charge that entirely.

Q. That is so with the others, they say that maintenance of rails is charged entirely to train mileage.

A. Yes, sir.

Q. Now, in what proportion would you distribute the cost of maintenance of rails as between the state and interstate traffic?

A. I would say with the realization that the rail includes the switch leads, which are themselves expensive of maintenance, that there is a slight depreciation; just how much I would hesitate to fix, in which the expense of bearing the state traffic exceeds the interstate.

Q. It would be very slight, wouldn't it?

A. It would be enough to count.

Q. Well, now, the great body of your rails, of course, are the main line rails?

A. Main line rails.

Q. As distinguished from the switches. Those main line rails, of course, all trains pass over them. Now, your switching, there

is more of it done directly in the local service than in the trans-state service, but your local service is made up of state and interstate. Probably the very train that you switch has state and interstate traffic in it, hasn't it?

A. Yes, sir, but I want to explain to you.

Q. Do not hesitate to explain.

A. I have put that interstate freight on there because of a condition I have already given. I don't want to lose sight of the fact I am endeavoring to help out a condition that I already have.

7603 Q. Now, you would not put the interstate freight on the local train if it was not for this local condition created by the law, you mean?

A. If I didn't have the local train there I wouldn't put it on.

Q. No, but Mr. Gray, how can you put the interstate traffic on your trans state trains.

A. I haven't got any such thing. I have got all those kinds of trains, and I have all those kinds of traffic on all of them.

Q. Now, you couldn't have this traffic at all if you didn't have your local trains, could you? Your local trains pick up, your way train picks up state and interstate traffic at different points along the road, particularly, of course, your branches, which have nothing but local trains. They pick up all of the traffic, state and interstate, and they carry it to condensing points, if you reach a condensing point before you reach a destination point?

A. Yes, sir.

Q. And then you make through freight out of it at the condensing points?

A. Yes, sir.

Q. Now, isn't your local or way train just as essential to interstate traffic as it is to state traffic?

A. No, it is the character of the work that that train is required to do for the localities which of course—I understand I am not overlooking the fact that that train is handling interstate

7604 freight, and it is essentially there for the benefit of the local public that it serves. And it could be run in the night, or it could be run any other time if it was not for the local necessity at those—each individual station.

Q. I understand, but, Mr. Gray, those local necessities relate to people who are citizens or residents not alone of the state of Missouri, but of the United States, and they have their commercial relations and their industrial relations and not bounded by state lines, and I think you stated the fact is shown by your reports, that you do more interstate business on those local trains than you do state business. Now, unless you cut those communities entirely off of railroad facilities, how can you say that the state traffic in itself imposes the obligation upon you to run those way trains?

A. Well, I will try and explain it. I will very likely experience some difficulty in doing it. But I start with this principle: that this community has got to be served.

Q. Yes.

A. To-day, and it may be all state business that that community will do.

Q. Yes.

A. And tomorrow it may be all state business, and the next day,—it would be a violent supposition, it might be all interstate business. But the fact remains that that community depends upon that particular local train for its merchandise. It may be that sometimes a little community cannot go to work in the morning until that local train gets there and fix- them up so they can go to work.
7605 So that it may be a condition that it is fair to say is due purely to state traffic; it may be a condition that you are willing to say is a moral responsibility that that carrier has assumed. But the fact is we start every day, we are running that train in that particular way and in daylight for that community, and that community is in a sense dependent on it. It is a local condition.

Q. But the things that you bring into that community which they want to get in daylight you bring in not alone from the state of Missouri, but you bring it in from other states. Now, your whole railroad system would go to pieces if you did not serve those communities with their wants, wouldn't it?

A. Yes, sir.

Q. Your great trans-state business is finally made up of the collections that you make at the little way stations, and the sum of the contributions that the way stations make constitute the great volume of the trans-state business?

A. No, the trans-state business could not be made up in that way. What we pick up is interstate. The trans state business is something those little stations don't see at all.

Q. The trans state business on your particular road, but finally where would your interstate business be if you didn't serve these localities?

A. I will, in answering that, say it is absolutely true that this train, this service which I designate as local, and which is more expensive, I will undertake to say, than any other, is essentially local in its character, because it meets those wants that those particular localities have. If this wasn't true, Mr. Lehmann, I could come here
7606 and tell you with mathematical precision what portion of that could be charged to that. But the best I can do is to come with knowledge of these car-ying conditions, which I have acquired and say what proportion I think. And I hope you won't take a train, for instance, and expect me to segregate that. I can't do it.

Q. I want to see how near you can come to analyzing into particular elements the general opinion that you have given. Now, what do you say to charging 33⅓% of the maintenance of ties to the traffic over the road, and the rest of it to natural depreciation?

A. I would say that that is not enough.

Q. You would charge more?

A. Yes, sir, I would charge more.

Q. A good deal of the depreciation of ties is due to inherent decay.

A. That comes about from a multiplicity of causes.

Q. Yes.

A. And if you have got on some portions of your line, as we have, a character of wood that lasts quite a little while, as the better variety of post, a white oak; if you have got on another part another kind of wood, that is a treated wood, it will last presumably twice as long as the other. If you have got tie plates on your curves; if you have heavy rails so that your flange wear is minimized, those are all varying conditions and they, all of those, are met with in Missouri on our line.

Q. You recognize, of course, the fact that the tie will rot, wear out, even if there is no train going over the road?

A. Yes, sir. That is, it will rot probably just as quick
7607 I wouldn't say that, because flange wear will start decay quicker than anything else in that tie.

Q. If, for example, a tie will wear out in six years if the road is in active service, and if it would not be in active service it would rot out in nine years, then you could say, of course, there would be a good deal to be charged to natural depreciation?

A. Yes.

Q. That would be about 66 per cent.

A. We have got 1700 miles, every varying condition imaginable, swampy country, mountain country, heavy traffic, light traffic, heavy rails, light rails, curves, tie plated, and curves not tie plated. I wouldn't attempt to qualify as an expert upon that.

Q. Why would you, as to any of these expenses, apportion any more to the state traffic than the measure of the benefit which that traffic receives from these utilities, or the measure of the use that is made of them?

A. As far as straight operation is concerned between stations, if you can decide upon a car mile basis you would be satisfied for a while, and then you would find in your state traffic you were handling the heaviest cars, and in your interstate traffic you were handling the lightest, and then you would be dissatisfied. You have got your switch leads, which are the most expensive part, the most dangerous part of your road to maintain, and they are constantly in use by the local train. They travel in and out a dozen times at local stations, in and out over those switch leads.

7608 Q. They do that often for the benefit of the through train, do they not?

A. On account of and for the benefit of the through train?

Q. Yes, sir, back in simply to let the through train pass?

A. As a rule a local freight train is, in doing the most of its work, not forced in out of the way for a freight train. The train itself is sidetracked on the passenger track or opposite the house, and the engine is working in one part of the yard, or the other, and the very physical movement of going in to place a car would clear the other train.

Q. They must always get in on the side track, they must keep clear the main track?

A. It depends on how many cars he has got and all the other elements.

Q. They sidetrack to keep out of the way of the local trains?

A. Of the through train.
Q. Of the through train, I mean.
A. Theoretically, yes.
Q. And the same way with your local passenger train, it sidetracks to get out of the way of the through passenger train? That is for the benefit of the through service, isn't it?
A. No, sir. We have got to consider all of these kinds of mileage. If you take one particular section of the line, you take the local train upon that line, and it may be that the through train has got an easier schedule than the local train. In that case, any dispatcher worth his salt would give the local train the best of it. On some of the
7609 lines there he hasn't got any through trains to meet at all. That condition is eliminated there.
Q. Well, but on the other lines he has got through trains to meet?
A. He has got them, yes.
Q. As a rule, the local train must get out of the way of the through train and keep out of the way?
A. It would work out for the benefit of operation probably that in the greater per cent of the times that would be true. It would be these two trains as physical conditions, not because one has got local on it and the other got through. This dispatcher has got these things to pass.
Q. Makes a better schedule, faster schedule; that is a benefit, is it not?
A. Mr. Lehmann, we are dealing now with freight?
Q. We will take it——
A. Got to separate it.
Q. That is regarded as a benefit, is it not?
A. In referring to the schedule, now, Mr. Lehmann, are you referring to the speed or to the movement between stations?
Q. Oh, no, from the beginning of the run to the end of the run, is what I guess "over the road" would mean, not any one mile of it, but from where it makes its journey.
A. It makes its journey from terminal to terminal in less than the other train.
Q. That is an advantage, isn't it, to the traffic?
A. It is an advantage.
Q. To the traffic?
A. It is an advantage to the expense?
7610 Q. And so it is an advantage to the traffic?
A. Yes, sir.
Q. Now, in order to enable it to make that time, you as nearly as possible have a clear track for it. You hold it up as little as possible?
A. That is it.
Q. Your through train?
A. Through freight train.
Q. Hold it up for passenger train, I assume, of course, too?
A. I don't think that is fair to assume that we disorganize our local service for our through freight trains. The contrary.
Q. On the contrary I assume that you organize your service in

order to get certain results. One result that you want is a speedy journey for a through freight train. Now, you have got to organize accordingly. And one part of your organization is that whenever it comes between the two, you must give the right of way to the through train and not the local train. That is a part of the organization isn't it, part of the discipline, so to speak?

A. On the contrary I believe that on the greater portion of the line that there is no dispatcher who has not had it drilled into him that the local train is the most important train on the railroad, and it is a train that has to meet just these conditions that I have attempted to elaborate upon, that the communities depend upon it, that the work of industries, and so forth depend upon it, and if it were put up to a question of five times out of six, if the local freight train is ready to leave the station, and the through freight
7611 train was ready to leave the other, that the local train would be given the best. This local train could get there quicker than the other heavier train would be able to pass between those points.

Q. Well, how is that as to passenger trains?

A. Not in the same degree as it would be to freight.

Q. You give your through passenger trains the benefit?

A. The through passenger train would be given the advantage of it because the other train has got to stop at that particular station anyhow. It can sometimes serve that station from the side track just as well as from the main line.

Q. You give the through passenger train the right of way?

A. We give the passenger train the right of way, the through passenger train.

Q. What portion of tie depreciation would you attribute to train mileage? And what to natural depreciation?

A. Taking our conditions as they existed prior to this last year, considering all the classes of wood that we have used, I believe our depreciation through use has been from fifty to sixty per cent in ties. I believe that taking the character of the wood that we are using now, the greater cost that accompanies it—the greater proportional cost, I mean—and the fact that these ties are subjected to treatment which will extend their life over a period that we have not been able to accurately conjecture, that the physical wear on those ties would be practically limiting their life——

Q. That is for the future?

A. That is for the present, the ties we have put in in the last twelve or eighteen months.

7612 Q. Do you think you have made that much progress?

A. If we haven't we have been spending a lot of money uselessly.

Q. I hope they are right about that.

A. I do too.

Q. That is a new condition—I think probably we had better—that wouldn't be true as to the old conditions.

A. It would reverse in percentage if these conditions work out as

have been represented by people who should know; they would reverse in percentage.

Q. That of course remains an experiment necessarily?

A. Yes, sir.

Q. Now, Mr. Gray, haven't your ties in the past gone out pretty nearly as fast in the side tracks as on the main tracks, except that you, of course, will allow a tie to remain in the side track that you wouldn't in the main track?

A. No, I don't believe that our side track renewals have been materially different.

Q. Train mileage, of course, is different over them?

A. Yes, sir.

Q. Well, Mr. Gray——

A. Well, I hadn't completed that. I don't think the percentage of renewal has been materially different as far as passing tracks are concerned; it has not been quite so heavy with regard to the other tracks.

Q. The general indications would be the natural depreciation in ties has been (I hope you are right about that factor) that it has been a very material element in their destruction.

A. It has.

7613 Q. In other words, ties rot as well as wear out?

A. Yes, sir. If you didn't have any traffic there the rails would last probably as long as the ties.

Q. We have agreed that the wear on the rails is due to the——

A. I mean that they can perform any function that they ever had before as long as the tie if they were not used at all.

Q. Not in that place, of course?

A. That rail stays there.

Q. If you were in a perfectly dry place, there would be some remnant of ties there as long as time. It seems to be agreed that the wear on the rail is due entirely to the train mileage.

Now, taking expenses like those incident to the maintenance of the way and structures, including all of the elements of the way and structures in that. Why should that expense be charged against any species of traffic otherwise than in the ratio of the use that that traffic made of the facilities or the benefit that it derived from them?

A. This percentage of increase which I have spoken of to you, and which I haven't attempted to fix, I attributed to the fact that a very frequent cause of derailment and a very frequent cause of expense occurs in the use of switches, and in switching at these points, it carries with it quite a material charge to maintenance account.

Q. Well, that would come to the damage, your maintenance of equipment?

A. No, I am not talking about maintenance of equipment. I am talking about the bearing it has to the track and switches. I will

7614 treat the equipment, when you get to that—you can not get the equipment off without you damage the track and switches.

Q. Isn't that a comparatively small element of the injury that is done by derailment?

A. No, sir, it is not as small as one would wish it to be. It has an effect.

Q. It would be much smaller than the damage to equipment?

A. Yes, sir. Very materially so. As I will endeavor to cover when I get to that.

Q. Now, aside from that element, do you know of any reason why any species of traffic should be charged otherwise than in the measure of the use that is made of the facilities, or the benefit that it derives from them?

A. Yes, sir, I have got sometimes to get down to small matters. Because they all contribute to the whole. The state is compelling us right now to build a depot at a junction. There is a law that requires all of those facilities to be maintained covering the state part of it. The maintenance of those buildings, those structures, all goes into this factor: the train switching in any of those industrial tracks, and side tracks, is a greater hazard of fire loss from that account than it would be in the ordinary transaction of the through train.

Q. You mean fires caused by your engines?

A. I mean going over to any mill, cotton platform or anything of that kind, the ordinary work in switching creates a greater hazard.

Q. When you go into a cotton platform where you get anything it is usually interstate freight, isn't it?

A. It comes back to the old thing, we are going in for both of them.

7615 Q. That is very much, mostly interstate freight isn't it, your cotton shipments interstate freight?

A. I should say that cotton shipments are, might be practically considered interstate freight.

Q. And the same thing is true of most of your mill shipments too, isn't it?

A. Well, it would be traffic again for you to——

Q. Hauling barrels to Poplar Bluff, that would be all interstate shipments, wouldn't they? Go into a mill like Williams Cooperage Company there, that is all interstate business practically, isn't it?

A. Yes, that is all interstate business. At the same time he gets in the stuff that they are made out of, and it was all state business.

Q. That was, yes. But it was hauling the raw material in and the finished product out?

A. Yes, sir.

Q. The finished product was practically all interstate?

A. The finished product it is a fair assumption to say it is practically an interstate proposition. His inbound was mostly a state proposition—if it reached over into Arkansas——

Q. In the latter years more from Arkansas than from Missouri?

A. Now, over there entirely.

Q. I happen to know about that.

Now, how many stations have you built under the direction or compulsion of the Missouri statute?

A. I have this one very vividly in my mind.
Q. You spoke of one.
A. I had that in mind because it is of recent occurrence.
7613 I do not recall any other. There undoubtedly were, but I don't recall them.
Q. You recall that. That is one you would have not built except under the compulsion of the statute?
A. Yes, sir.
Q. In other words you would not have built it in response to what you deemed to be the reasonable needs?
A. No necessity.
Q. Otherwise it would not be said to be built under compulsion of the statute?
A. Yes, sir.
Q. That is the only one you recall?
A. Yes, sir.
Q. Where is that?
A. That is at the crossing of the Cotton Belt and the Frisco just west of Illmo.
Q. Is that a joint station?
A. It is a joint station between the two companies.
Q. You do some business there?
A. We do no business there, except possibly interchange.
Q. Between the two companies?
A. Between the two.
Q. Now, taking it altogether, what percentage of this maintenance of way and structures would you charge to the 13.1% of the state freight?
A. I have said that to the best of my judgment I would charge a slight per cent. I would regard that as a little more than the 0 figure.

7617 Mr. HAGERMAN: You use 13.1%. That is the percentage you figure out upon the ton mile basis. I assume you are asking your question upon that assumption that that is the proper division. Suppose the Court should state that the revenue basis, in his judgment, was the proper basis.
Mr. LEHMANN: I do not regard either of them as theories. I regard either of them as a basis.
Mr. HAGERMAN: Whatever the percentage is, you mean?
Mr. LEHMANN: Neither of us is proposing either theory. You do not propose the revenue theory, you propose the revenue basis of estimate.
Mr. HAGERMAN: You propose the ton mileage.
Mr. LEHMANN: You propose the revenue basis.
Mr. HAGERMAN: Assuming that is on the right basis.
Mr. LEHMANN: Assuming any basis is right, if you had to do it.

What is the next general division?
A. Maintenance of equipment.
Q. How much is that of your total expenses?
A. You mean taking the whole?
Q. Yes.

A. Of the total expense it must approximate twenty per cent. I just guess at it.

Q. It is an important element?

A. Yes, sir.

Q. And that includes locomotives as well as cars?

A. All rolling stock.

Q. And you use your heaviest engines in what you call
7618 the trans state freight business?

A. As a general proposition we attempt to work to that end.

Q. And your best engines, that is, if you do discriminate?

A. No, I would say that I assign as good an engine as I could get to a local train.

Q. A different—I wouldn't say you have any bad engines.

A. We have lots of them.

Q. I was going to say you have some that are better than the others?

A. I would in the general operation select one of the best engines of the type I use on local trains. That engine has got more dependant on it than anything else.

Q. Would that be true of these little branch lines?

A. No, sir. It would be true to this extent, on most of these branch lines we have got to have the engine kept in more than ordinary condition, because it is isolated from assistance of a better kind.

Q. Would you put a better engine on the branch?

A. Because it is isolated from the repair shops, yes, sir. We put a lighter, I don't want to convey the impression that its an engine of a particularly modern type, or anything of that kind. It is ordinarily a light engine, but it is necessarily in as good a condition as we can put it when we send it there.

Q. Oh, yes. But it would probably be of an antiquated type? Provided you have any antiquated types of engines.

A. We have those. What I meant was, it was selected with a view of the physical characteristics of that line, both as to
7619 its physical characteristics and to its business characteristics.

Q. You don't put one of your Moguls there?

A. The Mogul is now a very small engine as a rule.

Q. Is it?

A. The larger types of freight engines are engaged with through freight trains for practical reasons.

Q. Oh, yes, branches being at a distance from your shops, when you send an engine down there you take care to see that it is in the best possible repair?

A. Thorough repair, yes, sir.

Q. And you do that because the conveniences of repairing are not at hand on the branch?

A. Yes, sir.

Q. And to repair an engine requires sending it to the central point and having it overhauled there?

A. Yes, sir.

Q. And as a matter of economy you take special pains to see it is in ship shape condition when it starts?
A. Yes, sir.
Q. You don't put your new engines on the branches, do you?
A. No, sir, just for the reasons I have just outlined.
Q. In buying new engines you are always buying of the latest and best types?
A. Yes, sir.
Q. You put those in service on your main line, and in your through service?
A. Through business.
Q. Freight and passenger?
7620 A. Yes, sir.
Q. Isn't that same thing true——
A. As regards passenger we have some of the very best types of engines we have got handling local passenger trains on the main line.
Q. On the main line?
A. Yes, sir.
Q. On the branch lines?
A. On the branch lines we have light engines which I have described.
Q. And which are of older type?
A. Yes, sir.
Q. The same thing is true, isn't it, of the passenger equipment on the branch lines? You don't send your new cars down there?
A. On the branch lines?
Q. Yes, sir.
A. No, sir.
Q. You send down a car that you have used on the main line?
A. Yes, sir.
Q. Is there any greater depreciation of cars in the state freight service than in the interstate?
A. Yes, sir.
Q. Due to what?
A. Due to the strain upon the draft rigging of the equipment. This is passenger we are talking about—you will cover both characters of service?
Q. No, I had in mind freight.
7621 A. Freight. I will answer that as to freight. Very considerably more. The greatest element of damage to equipment today results from its handling. The repairs that are brought about by the cars being coupled together. And as a result of the minor accidents which result in the ordinary shipping in yards and at the stations. That also extends to the locomotive so far as the coupling device and draft gear are concerned. It extends to the locomotive particularly in the wear of the engine on going into and out of sidings, and in the general strain of handling and shifting work.
Q. Locomotives wear out, I take it, in use. That is, you run them until they are not fit to run any longer?

A. We hope to realize all the possible life out of it.

Q. I suppose that is true about the locomotive, that it wears out, it don't rust out?

A. It wears out.

Q. And the depreciation on a locomotive is chargeable to mileage or to use?

A. To use.

Q. I mean mileage in the sense of use?

A. Yes, sir.

Q. That is not so true of cars, I take it. There is a material element of depreciation in cars, the structure of cars.

A. There is the same element of depreciation about a car. A great percentage of our equipment is of a character we are not able to fairly and intelligently approximate what that may be, but I refer to steel equipment.

Q. In your freight service?

7622 A. In our freight service.

Q. That is, that has not been tried out either?

A. No, sir, it has not been tried out, but it constitutes only a percentage of our——

Q. Not, I take it, however, anything like one half?

A. No, we are under one half. We must be somewhere between thirty and forty per cent.

Q. Of all your freight equipment?

A. Yes, sir. That is, by that I mean where steeel enters into the element, materially into the construction—would not be all steel, but the principal parts of the car would be steel.

Q. The locomotive and cars together I should say be about twenty per cent of the expenses, wouldn't they?

A. The repairs?

Q. Yes, sir.

A. Equipment is, I have stated, roughly.

Q. Yes, I am not holding you to the fact. That includes, of course, replacement, I take it, in addition?

A. That includes maintaining the equipment at its——

Q. As you started with it?

A. Yes, sir.

Q. Now, how much of that twenty per cent——

A. What a minute.

Q. Certainly.

A. Do you mean replacement of the car which has worked out its natural life?

Q. Yes, sir.

A. No, sir.

7623 Q. The twenty per cent doesn't include that?

A. The car that has worked out its natural life and is destroyed, there is no charge to operating expenses for that car.

Q. Don't you have an account for your keeping up equipment?

A. With a car that is destroyed at the end of its natural life, I would have the difference between its book value and its salvage charged to profit and loss; that does not go into operating expenses.

Q. I should suppose it was an operating expense or you would soon be without cars.

Mr. HAGERMAN: It ought to be. Some of the roads do not keep it that way.

Mr. LEHMANN: You would finally be without cars at all if you didn't supply the places. I wouldn't think of calling a replacement of a car an addition to the equipment. How do you show that in the account? I regard that as a legitimate operating expense.

Mr. HAGERMAN: Some of the roads do, and some of them do not.

A. That difference between the salvage and the book value is charged to profit and loss.

Mr. LEHMANN:

Q. Then there is still an item of profit and loss that should be charged to operating expense.

Mr. HAGERMAN: Some of the roads have an account of that kind that goes to operating expenses.

Mr. LEHMANN:

Q. How much of this twenty per cent on repairs would be charged up to this 13.1%?

7624 A. That is one of the strong features; in my opinion I believe it goes anywhere in between two and six times as much in proportion.

Q. Between two and six?

A. That is a wide range, I want to stick to as wide a range as that.

Q. I want to get you to a closer range.

Mr. Gray, can you tell me with reasonable approximation the amount of your through trains tonnage, that is assignable to the state of Missouri?

A. No, sir, I couldn't approximate that.

Q. Well, now, could you do this: Take the mileage, train mileage made by your through freight trains as compared with the total of your freight trains mileage in the state? Could you make an approximation of that?

A. I would have to make just a rough estimate on that, Mr. Lehmann.

Q. Do you feel you can do it with some intelligence? I mean do you feel your idea would have some fair approximation to the fact?

A. The through as contrasted with the local?

Q. Yes.

Now, for instance you have got some facts here that bear on that, and that is you run one local freight and three through. There is one element that suggests itself; if I had nothing else to go on I would say you had three times as much.

A. I don't think I would think that.

Q. If I had nothing else to go on.

7625 A. This local train runs in some places forty miles, in some it runs sixty and some one hundred miles. The ordinary effort is on the through train to get a minimum of one

hundred miles. And I would say when you come to mileage it is probably four to four and one half to one.

Q. Not holding to that as an exact figure, do you think that is right?

A. It roughly approximates that.

Q. You take the number of locomotives that are engaged in the through train mileage, in making that through train mileage how do they compare with the others in number?

A. They would compare about as I have given the other per cent because they are making greater mileage than the local.

Q. See if this — fair in your judgment, that your through freight mileage is say four and a half times the local freight train mileage. Your through freight trains are about three times local freight trains?

A. Yes, that is right.

Q. Now, would it follow from that that your through freight locomotives were about three times your local freight locomotives that run on the train basis as against the mileage?

A. I guess that would be a fair approximation.

Q. Through freight locomotives equal three times local locomotives?

A. Oh, yes.

Q. Now, how about cars. Do you generally have more cars in through freight trains?

A. Yes, sir.

Q. Can you make a sort of approximation, that is with
7626 some measure of accuracy?

A. You mean at a given time, or do you mean the number of cars that this train handles?

Q. Yes.

A. I would say the local train would handle the most.

Q. More?

A. Yes, sir, two or three times.

Q. I didn't know. If it was left to me I would have guessed the other way.

A. You realize he is picking up and setting out all the time.

Q. Oh, in that way, yes. In the average he will have in his train?

A. He will average much less in his train?

Q. He will average much less in his train?

A. But he is handling more cars.

Q. How many cars in the local on an average? Take both ways, how much would that be?

A. He will average from two to three times.

Q. From two to three times?

A. Yes, sir, that is individual cars.

Q. In the through freight two or three times the cars in the local freight train, but in the local freight train in the course of its run setting in cars and taking up cars, he will handle in the course of the run more than the other through freight?

A. Yes, sir. It will do that. That is, I am talking now about our line, our individual line.

7627 Q. Oh, yes.

A. Where we have heavy grades to contend with.

Q. In that case, you wouldn't charge any excess to the 13.1% ton miles of local freight on account of any of the through freight locomotives, because if the local freight was hauled on those trains, if you haul it on them, or rather it is state freight hauled on them, it would be hauled on the same terms that the interstate would be?

A. That will bring us to the same conclusion even if you take an arbitrary division. And to assign—if you segregate those locomotives, you arrive at about the same conclusion, although from another source.

Q. I want to get at it in this way: of course we have got here what is in one way an arbitrary classification, that is, state and interstate. Your business and economic classification is local and through. And you classify as through that which runs in bulk from one of your freight terminals to another freight terminal, or division. That is what you classify as through?

A. Yes, sir.

Q. In one state?

A. Yes, sir.

Q. And it would not make any difference from the economic standpoint that part of those cars were state freight and part of them interstate?

A. You mean from the economic operation?

Q. Yes.

A. No, sir. It would make a great big difference. I will
7628 try to illustrate. We will take a cut of cars at St. Louis.

Q. Yes.

A. Of trans state freight, possibly some interstate freight. It is not inconceivable that we would run that train three hundred miles and never make a break between those cars. There is where a great big portion of your—that is, this is trans-state I am talking about now—there is where a great big portion of your expense arises from that cause. Now, you can take that same condition and apply it to interstate freight. You certainly are going to couple and uncouple it in ordinary practice at least once, and if you carry that mode of reasoning to the state freight you have got it at least twice. Now, this local train has not only gone out on the side track with the care which it has got in its train and handled them, but it is picking up all the cars that are on that side track, it is handling those three or four times.

Q. I am not sure, Mr. Gray, you are getting——

A. I am trying to——

Q. —what I mean. If you had a through train you are bound to have some local freight. For instance, you start out at St. Louis,—not local freight but state freight, that was intended to go clear to the end of the division, you would haul that on the same terms as you would—same cost—the other freight in that same train, wouldn't you? I am not talking about way freight.

A. The fellow that is controlling that, Mr. Lehmann, possibly don't know any difference between those two things. I have taken

that into consideration, that it is not impossible that he has
7629 got state freight upon the through train which goes from St. Louis to Springfield.

Q. Take that, for example.

A. It is not impossible at all. But I have taken that into consideration. Otherwise, if it just travelled on this local train, and we singled all of the state freight out and put it on that local train, I would increase my figures very materially.

Q. I know, but as to that particular portion of the state freight, if there is any such, that should not be charged with any greater proportion of cost of transportation than your through freight, should it? That particular portion of state freight which you had handled in that way?

A. No, segregating that alone, which I have never done.

Q. I did segregate it in my question.

A. Yes.

Q. I don't even know that there is any freight of that kind. You spoke of running some trains three hundred miles without breaking. That would be three ordinary divisions, practically, wouldn't it?

A. Of course, there would be a break between the engine and the train. The trains will often move from one terminal to another without breaking train.

Q. From one terminal to the other?

A. I mean from one terminal out of the state.

Q. Yes, but that doesn't happen often, though, does it?

A. It is not infrequent.

Q. You have three through trains every day when you have a local every day?

7630 A. Oh, yes, we will average on that particular line probably more than that.

Q. You wouldn't have a train, don't have a train like that every day that will run over two divisions?

A. We have twice or three times that amount in each direction.

Q. No, but a train of that particular kind that you don't break at all over three divisions, that is a rare thing isn't it?

A. No, I am not willing to concede it is rare. It is always a possible contingency. It only reduces in degree as the number of cars that are in trains of interstate freight, but it is possible you reduce it to five or ten cars, those cars stay together.

Q. Have you ever segregated the repair charges on your through freight locomotives from your general locomotive repair charges?

A. No, I never have done that.

Q. And the through freight would have to take, I assume, in three times the locomotive repair charges that the local freight would, there being three times as many?

A. If you divide it upon a basis of the engines used by the two—possibly. But if you consider these elements which I have set opposite that, would add to that percentage.

Q. Now, wouldn't the basis of the number of locomotives used, and particularly in view of the fact that the through freight locomotives draw much the heaviest load, make it a fair thing to as-

sume that the expense of keeping up the through freight locomotives was as great, as this of keeping up of the local?

A. No, I believe that the repair of the local locomotive
7631 will run heavier from these causes than the repair of the freight locomotive per engine.

Q. Have you ever tested it?

A. I am just stating that as my opinion. I have never tested it and I never heard of it being tested.

Q. The load is much greater, that makes the strain upon the engine, doesn't it?

A. It is more than compensated for by the character of the work which the one engine does. What I mean is this: you take a local locomotive and it runs fifty miles. It will make fifty miles additional mileage in the making that fifty miles. Probably I am overstating that a little bit. It will make twenty or twentyfive miles additional. We have cases where they have made as much switching mileage as they make line mileage. Yet they are not credited with one bit of that when it comes to ton miles, the train miles.

Q. Now, there are the two elements of difference between the character of service in the one case; then there is very much greater strain upon the engine in the other. Then your first cost on your through locomotive, freight locomotive, is higher than on the other, because it is a larger type of engine?

A. Yes, it is possibly a more expensive engine.

Q. Isn't it probably a more expensive engine?

A. I mean to say "probably"; I did not mean "possibly."

Q. Possibly has a different meaning.

A. I understand. It was a shade of meaning I did not mean to put there.

7632 Q. Its first cost, therefore, would be greater for that reason?

A. Yes, sir.

Q. And then there would be a larger—you deal with the locomotives the way you said you did with cars when they are worn out, you charge the difference between the scrap value and the original cost. Is that the way?

A. The scrap value and the book cost.

Q. And the book cost. The difference charged up to profit and loss would be greater then in the case of the through freight than in the case of the local freight locomotive, the original cost having been greater, and the scrap value certainly could not be any greater?

A. The scrap value would not be more, but that would not affect the operating expense in any way when it comes to replacing it.

Q. Yes, not in the way you are keeping the books. I think you will agree with me that it affects the actual operating expenses.

A. We have got nothing to criticise in figures in that respect then. That is one point I wanted to bring out. In any figures of operating expense that we have considered there that replacement is not there.

Q. Except we bring it in by express statement?

A. Yes, sir.

Q. I didn't know you dealt with it in that way.

A. That is all.

Q. You take the actual locomotive expense then, considering the difference in cost of the through freight locomotive, greater
7633 pulling strain put upon it, and all that wouldn't you think that cost about as much on your through locomotives as on your local?

A. Per engine?

Q. Yes.

A. No, sir. I don't think that.

Q. You don't know that the comparison has ever been made?

A. I have never heard of a comparison of that kind being made.

Q. No attempt has been made to ascertain in your company?

A. No, sir. Mr. Lehmann, the reason for that is we have got an engine we are using in local freight service, and an engine fails, or anything happens to it, it is retired from the service a day or two, and it has got to be replaced by one of these other engines, even if it is large, and all that, so that the work is so intermingled that we cannot segregate these repairs per engine. And furthermore, there are places where the engines, even as much as we would like to assign them to local service, are run in what is known as the chain gang, first in first out; might catch a local and might catch a through.

Q. Is your tendency to rather equalize the character of the locomotives throughout the service? Are you tending toward standard types?

A. We are tending to standardize in all purchases. We try where we can, and where it is possible, to assign engines to locals as I have already stated.

Q. Now, would it be fair to say that as a rule the local trains do not get brand new engines as a rule?

7634 A. That is perfectly fair, yes, sir.

Q. The through train gets the brand new fellow?

A. Well, that depends upon the different parts of the line. If you will take the local service on the lighter portions of the line they will get a light engine.

Q. Which usually means a second hand?

A. But we use on the main line as good an engine in first cost on the locals as we do on the main line. It may not be as heavy an engine.

Q. Is it bought in the first place for the local service?

A. No, sir, it is bought with the view of making it serve as nearly as an all around engine as we can get.

Q. Used as a rule in through service?

A. Not necessarily.

Q. Generally?

A. We put new engines as soon as they are broken in and have got the stiffness out of them.

Q. Do you keep any record of the life of your engines?

A. Do you mean historical.

Q. Yes.

A. Yes, we have a historical record of every engine.

Q. And can you differentiate through the medium of that record as to the life of the local and through engine?

A. No, sir.

Q. Because the engine does not retain its identity?

A. It does not retain its identity. It might be in one class today, and another tomorrow.

Q. We cannot get at that any more accurately?

A. I don't think we can.

7635 Q. Your repairs show, I suppose, whether general repairs on locals or through?

A. They do not know, the man repairing the engine don't know.

Q. I mean as to that?

A. Yes, sir.

Q. How is it about your equipment, your freight cars? You use,—the actual number of cars, that is, individual cars, used is greater in number in the through service than in the local, is it?

A. The contrary. They are greater in the local than in the through.

Q. I would imagine in proportion to the volume of the business. But take it all together.

A. Well——

Q. I was thinking in view of the fact you say——

A. You mean treating them as a gross?

Q. Yes.

A. The proportion would be larger in through business.

Q. That is what I thought from your statement.

A. I didn't understand.

Q. I mean in the gross. It would run, in view of the fact that you run three times the number of trains, and that you have two or three times the cars in a train, that that will about balance up as against the greater number of individual cars that the local handles in the run, so that you will have two or three times as many cars in the through service as local?

A. No, I would say that we have the greater proportion of them. And additional, that the local handles cars that are in no wise

7636 connected with its train.

Q. I did not quite get the significance of that.

A. I will try to explain that. We have a local train here. It has got to do work at this station, we will say. A car is set to the mill, and in doing that he picks up five or six cars that are ahead of it, or loaded cars they may be, may belong back where he got them. He may find it more economical to hold those cars and make three or four switches. He may have to shove them on another track to get a car he wants to move. He may handle ten or twelve or fifteen cars in handling that one.

Q. That comes in under a different consideration. We are dealing with the replacement. Drop that for a moment in order to get this. Take the cars handled by the through freight train as against those handled by the local train, in each case, having regard to the train's own cars for the present. Now leave out this kind of use of cars that you make, and just count the cars in each train as belonging to it,

and in that case of the local, counting all in the cars that are run, would there be about three times as many through cars as locals?

A. I think it is perhaps a little bit safer to say from two to three times.

Q. From two to three times?

A. Yes, sir.

Q. And those cars, of course, you cannot differentiate between the through and the local because a car may be in through freight one day and may be in local the next.

A. Yes, sir, I am just dealing with local versus through.

7637 Q. There would not be any possible—so you could not tell about the comparative life of a car in local service and a car in through service by any record that you have, because you do not pretend to separate them?

A. I do not.

Q. Now, you spoke of the handling of cars on the side track where cars may be standing on the sidetrack, and the local train comes along and wants to set in some cars, to a mill or industry, and it has to pick up these cars that are already in and probably pull them out and couple on to the cars that wants to be set in, so that there is a considerable movement of cars by the local train that don't pertain to the train itself?

A. Yes, sir.

Q. Which it is handling because there are cars in its way, so to speak?

A. Yes, sir.

Q. Would you charge an expense of that kind as pertaining peculiarly to the local service?

A. I would charge it up, Mr. Lehmann, but I am not going to assume to take the proportion that that really bears to the total, because I think it would possibly be unfair.

Q. Now, what is the life of a locomotive on the average?

A. I should say from twenty-five to thirty years.

Q. From twenty-five years to thirty years?

A. Yes, sir.

Q. That is with——

A. We are passing some engines out of service now that have been in active service fully twenty-five years, between twenty-

7638 five and thirty years.

Q. What would you give as the average—twenty-five?

A. I would say that it is fair to assume in the new modern locomotives, between twenty and twenty-five years.

Q. You would say in the past twenty to twenty-five?

A. In the past I would say twenty would be a conservative average for the last ten years.

Q. Now, what relation will the scrap value of the locomotive bear to the cost of the locomotive? One tenth?

A. We will get out of an engine we scrap now, that costs originally ten thousand dollars, we ought to get from two to twenty-five hundred dollars scrap.

Q. More than I supposed.

A. Probably eighteen hundred to twenty-five hundred.
Q. Eighteen hundred to twenty-five hundred?
A. Yes, sir.
Q. Now, what is the life of the ordinary freight car?
Or average freight car, we will say. Better eliminate steel which is just coming in, or at least indicate the difference.
A. We have figured the average life of a freight car of about twenty years.
Q. Have you an idea of about the average repairs on a locomotive during its lifetime?
A. The repairs to an engine will run from twenty-three hundred to twenty-five hundred dollars, per annum.
Q. Twenty-three to twenty-five hundred dollars?
A. Per annum. The engine we buy to-day is worth about
7639 sixteen to twenty-five thousand dollars.

The COURT: One fifth of the life?
Mr. LEHMAN: I mean the kind of engine you are speaking about.

Mr. HAGERMAN: Wherein does this great element of necessity for repairs come in?
A. It is the wear on the engine due to accidents and——
The COURT: Tires?
A. Tires, fire boxes, of course brings it in at less frequent periods. Of course, fire box work and tire work and the heavy machinery repairs,—flues are a heavy item.

Mr. LEHMANN:

Q. Fire box and flues?
A. Stating it in the order in which they come.
Q. That is the boiler too?
A. Tire, heavy machinery, fire box, and boilers. That is about the way they run in.
Q. What has the greatest effect on the wear of the engines, speed or weight behind it?
A. That is a pretty hard question. I would say that speed will wear your tire out quicker, and weight will affect your machinery and repairs, but I don't believe I will qualify on that.
Q. Now, Mr. Gray, I believe you didn't answer as to the average of the life of the freight car.
A. About twenty years.
Q. And the average cost what?
A. The average cost of the modern freight car is, varies according to the character of the car, from one thousand to sixteen hundred dollars.
7640 Q. From one thousand to sixteen hundred dollars?
A. Yes, sir, varying according to the type of the car you buy.
Q. You are dispensing altogether with the old type which they built for four or five hundred dollars?
A. We haven't bought what is known as a wooden car in four years, with the possible exception of a few work cars we bought.

Q. And those cars, you say, run about fifteen or twenty years?
A. The average life of a car I would like to state, the average life of a freight car is between fifteen and twenty years.
Q. I thought that is what you said. What would be the average repair?
A. Freight car repairs are averaged between fifty and sixty dollars.
Q. A Year?
A. Per car per year.

The COURT:

Q. What is it that goes to pieces on them, the draw bars?
A. Yes, sir, the draw bars and the draft rigging throughout the car is the strongest repair.
Mr. LEHMANN: Now, your passenger trains, you say, are about equal in number, local trains and through trains?
A. I have approximated that.
Q. I am accepting these things as approximations. Now, your best equipment is on your through trains?
A. I think that is a fair assumption.
7641 Q. And much the most expensive?
A. I think that is also fair.
Q. Pullman cars cost more than twice as much?
A. Of course, we don't own the Pullman cars.
Q. No, but they have to be provided. You have to pay for them in some way?
A. Yes, sir.
Q. They are a charge on the service?
A. But that is a very—I would say in regard to the Pullman car there are instances in state traffic where we have got to pay for that car, there are instances in interstate we don't have to pay.

The COURT:

Q. In general state the expense to the railroad for the Pullman cars.
Mr. LEHMANN: I do not know.
The COURT: Why not have him state?
Mr. LEHMANN: I think they differ.
A. The relations are that——

The COURT:

Q. Do you pay mileage or what?
A. Pay them mileage; where the car doesn't earn to them a certain amount. Therefore it is more probable that we would have to pay this mileage where — were called upon to put a Pullman strictly on mileage.
Q. To keep you from hauling too many Pullman cars?
A. That is an element. In other words to penalize and to keep us from calling for cars that can't earn money for them. In other words, if the item of expense rested against either, it would be adverse to the state traffic, because of the short haul of the
7642 Pullman cars; if we are calling on them for short hauls we would have to pay the penalty by having to pay mileage for

the car if it didn't earn a certain amount of money for the company.

Mr. LEHMANN:

Q. Have you got Pullman cars in state service?
A. Yes, sir.
Q. How do they compare with the others?
A. We also——
Q. How do they compare with the others?
A. I do not recall.
Q. You don't know whether you are penalized on them or not?
A. No, sir. We also have Pullman cars running locally between St. Louis and Joplin. And we also have Pullman cars that run a short distance, just a very short distance out of the state, which are really run primarily to take care of the purely state business, and extended we will say to Eureka Springs, just across the border, because it would additionally serve some one, but it is really a state condition.
Q. When you speak of running the Pullman cars from Springfield to Joplin, you mean that is the destination?
A. Of the car.

The COURT:

Q. Is it cut out there?
A. Yes, sir.

Mr. LEHMANN:

Q. Do you know whether you are penalized on those cars?
A. I do not recall.
Q. You couldn't say about that?
A. No.
7643 Q. That is one car on each train, I take it?
A. One car each between St. Louis and Springfield, that is each way, and one between Springfield and Joplin.
Q. Springfield and Joplin?
A. St. Louis and Joplin.

Mr. CLARDY:

Q. Don't they run one from Council Bluffs to St. Louis?
A. No, sir, that has been discontinued.

Mr. LEHMANN:

Q. I wish you would state what your main passenger lines are you radiate from.
A. Our main passenger lines run from St. Louis through to Seneca.
Q. Seneca where?
A. Where the first main line leaves the state into Oklahoma. From Monett to Joplin, and from St. Louis to Memphis via the river.
Q. Would you call Monett and Joplin one main line?
A. That has an element of through trains on it, yes, sir. And

from Monett through Seligman, and over the line from Ft. Scott through Springfield, leaving the state at Thayer. Those are the main passenger lines.

Q. None of your lines out of Kansas City would you call your main line?

A. That is the Kansas City, Ft. Scott—to Thayer—is the Kansas City Birmingham line.

Q. Those are the lines on which you would run what you would characterize through runs.

A. Yes, sir.

7644 Q. Can you tell me how many?

A. We have out of——

Q. Through trains now on those lines.

A. On the line between St. Louis and Monett we have six trains in each direction.

Q. Six trains each way?

A. Yes, sir, in each way.

Q. Through trains?

A. No, sir. Of which two in each way are local. One in one direction is a local train.

Q. Pure and simple?

A. Pure and simple.

The COURT:

Q. From where?

A. Between St. Louis and Monett. Between Monett and Seneca we have four trains.

Q. Between Monett and Seneca.

A. Between Monett and Seneca we have three trains in each direction.

Mr. LEHMANN:

Q. This other was six in each direction?

A. Yes, sir. On which two could fairly be designated as through. One as local west bound. One as through, two local *asst* bound.

Q. Well, average two to one?

A. Yes, sir, that is fair to average that two to one. Between Ft. Scott and through Springfield to Thayer we have three trains in each direction of which two are local and one is through. Between Kansas City and Springfield via the Clinton district we have two trains in each direction north of Clinton. To Belton. One train in each direction north of Belton. One train in each direc-

7645 tion between Clinton and Springfield. All of which are local.

On the line between St. Louis and Chaffee which is a station south of Cape Girardeau, we have three trains in each direction, two of which are local, one through. South of Chaffee we have two trains in each direction, both of which are local trains to Memphis south of Chaffee.

Q. Do they run to Memphis?

A. Yes, sir.

Q. Two of those?

A. Yes sir.

Q. That makes up your main line?

A. That practically makes up the main line. Across the Clinton district there is not a main line. I have given it.

Q. Except on the map?

A. Except on the map.

Q. Now four of the St. Louis to Monett trains are through. Does that include the mail trains?

A. That includes the mail train in one direction.

Q. And these three passenger trains?

A. Three passenger trains west bound are through, and four east bound are through.

Q. How do you balance up on them?

A. The mail balances it. The mail train balances it.

Q. Brings in and takes out?

A. Brings in one of the passenger trains, goes out mail train, comes back as passenger train.

7646 Q. On those you run Pullman equipment?

A. On all of these trains except the mail train and the daylight locals in one direction;—we run Pullman equipment.

Q. Mr. Gray, taking your observation for it, and your knowledge of railroad matters, from a purely financial point of view, would you rather do your business in the ordinary coaches or in the Pullman coaches, assuming you had exactly the same amount of business that you have now, and that it would not be affected by the change. Which is the cheapest, people going from the same point to the same point, taking your arrangement?

A. That is a hard question to answer. There is no question but what if you could crowd your business into your coaches, selfishly handle them that way, as an economic proposition.

Q. In other words, the cheap passenger to you is the one who would take the day coach going from the same place to the same place; by day coach, I mean the ordinary coach.

A. The cheaper passenger—I can't look at it that way—I believe that the contrary might be true. The passenger that is in the other car is better protected and better looked after, and as to considering him alone, it would be one thing. But if we were able to herd them that would be one thing, and that would be an economical way to handle it, as every one would admit, if you could put all in one car that would be that much more economical.

The COURT:

Q. If you had no regard for the rights of the passenger?

A. If we had no regard for the right of the passenger, or his comfort and convenience.

Mr. LEHMANN: Don't you have more people traveling in the ordinary coach than in the Pullman coach?

7647 A. Yes the preponderance of the passengers are in the ordinary cars.

Q. And you take the man traveling in the Pullman car whether

it is a parlor car or whether it is a sleeping car, he does pay an extra price to some one?

A. Yes, sir.

Q. And that extra price, in your judgment, does not compensate for the extra cost?

A. That extra price, Mr. Lehmann, does not come to us at all.

Q. In one way, don't you think it does, Mr. Gray, that is in this: That you otherwise would have to furnish another car perhaps?

A. It is possible; it is conceivable, that we might have to add another car of our own.

Q. I am willing to take your views.

A. If we eliminate the sleeping car.

Q. I am willing to take it in your view.

A. I don't think it is quite fair that we ought to make that allowance. That was a point of view I didn't think of and I was trying to adjust myself to it.

Q. Treat, for present purposes, Mr. Gray—you have your idea and I have mine—treat for the present purposes that the Pullman car was your car, that is, you were furnishing it, making out of it all that was made, of course, also, having to bear the expense, that is the expense of furnishing it, don't you think so far as the Pullman accommodation is concerned that you give rather more than you get, that it costs you more than the revenue?

A. I believe that is too violent a suggestion. I don't
7648 think we do, that it is a case of giving more than we get.

Q. I mean eliminating all those conditions and getting right down to the cost of transportation.

A. I don't think it is possible that we could assume that the handling of the Pullman car—in order to assume that at all, you will agree that we have got, in order to consider what we would do, if we didn't have the Pullman cars.

Q. You would have to substitute a similar car for it?

A. Have a similar car. We have got to substitute a way of carriage to that we already have. We might be fortunate enough to find in the train ahead all space for those passengers, might not require putting on of a car, but we have got to assume that those people would, without the convenience which the public have a right to expect and to demand,—that they would travel anyhow.

Q. What I am getting at, I am trying to get on some financial basis, simply cutting out any other things. Mr. Doddridge for example said that the local passenger cost more because there were two terminal charges to be taken into account with respect to him, and that on the average he didn't ride so far, and so on. Now, taking—we are down now on a financial footing; taking that, don't the through passenger cost more as a rule because of the very much better facilities that are accorded him? He has got a Pullman car where it is not often crowded in any way, where the space is more ample. But I am asking your judgment whether, other things being equal, isn't he a little more expensive passenger than the other one?

A. No, I don't think so.

7649 Q. I am leaving out of view the terminal part of that.

A. I will leave out the terminal part. I am trying to follow you, but the thing is so interwoven; this Pullman car is on the local passenger as well as on the state passenger, as well as on the interstate passenger.

Q. I am taking the Pullman passenger now as against the ordinary coach passenger.

A. Then, as I understand, you want me to say whether it doesn't cost more to handle that Pullman passenger than it does the other passenger?

Q. Yes. I didn't cover that.

A. Yes, it costs more.

Q. In proportion to what you get from him?

A. Pullman passenger as contrasted with a regular passenger?

Q. Yes.

A. Yes, sir.

Q. It is more expensive to the railroad company than the other?

A. Yes, sir.

Q. Of course, there are state as well as interstate in there?

Mr. HAGERMAN: What do you mean by greater cost?

A. I didn't say actual cost of transportation in the Pullman is more than the passenger in the car up ahead.

Q. You don't include in that the value of the car? The wear and tear?

A. Not at all.

7650 Q. Just transportation?

A. Just transportation. And I am just finding a little bit of difficulty in following Mr. Lehmann, whether he has departed from repairs.

Mr. LEHMANN:

Q. I want to get at the basis of repairs. I just started in with the passengers; I haven't struck the repairs of the passengers yet. I want to get at the basis that underlies his estimate, and see how near we can come to fixing it, and reducing the minimum of difference that may be between us. The cost of transporting him, you say, is greater. You run dining cars on your through trains, do you not?

A. We run dining cars on—we only run in the state of Missouri that touches the state of Missouri, three dining cars.

Q. Do you still maintain the Harvey diners?

A. Yes, sir.

Q. I didn't know that.

A. We only have them on a few trains. We have the Harvey system.

Q. You still have the Harvey system?

A. Yes, sir.

Q. You run, you say, three dining cars, and those, however only run on through trains?

A. One of them runs on the train that is through so far as Missouri is concerned, yes, sir. The others are on through trains.

Q. Now, those through trains, of course, carry state as well as interstate pasesngers?

A. Yes, sir.

7651 Q. And then they differ, of course, on the different lines, as to the relative number of stops they make, I take it?

A. The through trains as a general proposition, we stop them only at the important points, the most important points.

Q. Do you stop for passengers on flag going long distances?

A. On the line between Monett and St. Louis that is a very infrequent thing that we do that.

Q. On the other line?

A. We have the two local trains each way. They serve the local purpose.

Q. And on the other lines you do it more, that is, you stop on flag for passengers that are to go a considerable distance?

A. Where there is a less amount of train service we are more liberal about that.

Q. And have you any means of determining how full your local trains run as compared with your through? That is, what is the passenger mileage on local trains as compared with the through train?

A. The earnings of local trains are usually as good, and in some cases, better than they are on the through trains, due to the fact that they are longer established. Are run at more convenient hours, are adjusted more with reference to the local conditions.

Q. That would be your judgment that the local train earns more?

A. It is a fair assumption. I haven't seen those earnings recently. They are kept. Probably we kept them with us until we made substantial reductions.

7652 Q. The local train is made up of less cars as a rule is it not, than the through train?

A. Ordinarily, it is.

Q. And you have more baggage cars on through trains, do you not, than on the local?

A. No, we would not average more.

Q. You will handle much more baggage on the through train than on the local?

A. No, sir, almost the reverse.

And express would be heavier on the local than on the through.

Q. The express?

A. Yes, sir, the express.

Q. Of course, express is paid for.

A. I understood you asked about baggage cars. There is no distinction between the two, express in one end and baggage in the other, as a rule.

Q. Is that universal on your line?

A. Of course, rather than have the two cars that way they would convert one into express and the other into baggage, so the practical effect is the same.

Q. I didn't know you ran that way?

A. We have joint men handling the two.

Q. Don't you think that there is more baggage carried on your through trains, per passenger, than on your locals?

A. Baggage per passenger?

Q. Yes.

7653 A. That is true.

Q. Almost necessarily true, isn't it?

A. No, you must remember that the travelling man with the greater proportion of baggage is moving on these local trains.

Q. He pays the excess.

A. Yes, he pays the excess for it.

Q. And he travels at a two cent a mile rate, he is not affected by this inquiry. He has got his two cent rate, with his additional amount of baggage.

A. I am not touching rates at all. I am taking this as a physical condition.

Q. That is the fact about that class of passengers that carry a large amount of baggage on the local trains, you do sell the two cent ticket, or book, and did for years?

A. No, sir, we sold the travelling man a mileage book at twenty-five dollars. That is two and one half cents a mile. I happen to know that.

Q. I supposed a two cent rate.

A. No, two and a half. We have never had two cent mileage books on our line. In some parts of Missouri, in the more densely populated parts I understand there is a two cent——

Mr. HAGERMAN: You mean on some other road?

A. On some other road, yes, sir.

Mr. LEHMANN: I have no reason for challenging your statement. I thought it was uniform all over.

A. I am confident that is the fact.

Q. He travels with quite a lot of baggage, the two and a half cent man?

A. Yes, sir.

7654 Q. But the ordinary passenger, very naturally the through passenger, carries more baggage than the local?

A. It is a fair assumption; it would run less in proportion.

Q. Now, your traveling man would not stop at the state line. He makes short journeys, but he would keep right on travelling over the state line as before, in the course of his journeyings, as a rule?

A. We don't know the state line at all in the operation.

Q. Do some of these trains that you speak of as local cross the state line? I can't keep the geography of your line in mind.

A. The trains?

Mr. HAGERMAN: By that you mean local distinguished from through?

Mr. LEHMANN: Yes, I suppose there is at least one—Kansas City to Springfield, wherever the line passes out of the state there will be both local and through.

A. At the same point—in other words, there will be local interstate trains and through interstate trains.

Q. There will be this, Kansas City to Springfield, that I recognize from what you have said two trains, both of which are locals, and yet

are interstate. That is, I assume true. Are there any of the other local trains,—St. Louis Monett, two local trains, but neither of those——

A. On strictly state there is from Monett to Seneca that goes out of the state at Seneca, comes in at Seneca.

Mr. HAGERMAN: Is Seneca a divisional point?

A. No, sir, simply the nearest to the state line. The state
7655 line is right at the west end of town.

Mr. LEHMANN: Is that interstate there?

A. Yes, sir, it is interstate there.

Q. Seneca, Kansas.

A. No, sir, Missouri: runs from Monett.

Q. How is it a state train?

A. Runs from Monett, Missouri to Oklahoma City. It leaves the state and comes into the state at Seneca. The same thing is true with the train running south from Monett. They leave the state or come into the state south of Seligman.

Q. Those you had not mentioned here as being from your main points.

A. I certainly overlooked that. St. Louis and Monett six trains; Monett to Seneca, three trains. Ft. Scott Springfield, and Chaffee three trains. Kansas City, Springfield, two trains, and St. Louis, Chaffee three trains; Chaffee Memphis, two trains. Then if you permit me to add there——

Q. Certainly.

A. Between Monett and Seligman three trains in each direction, two of which are local and one through.

Q. Ft. Scott and Springfield to Thayer, the local train there is a state train, the local trains are state trains, are they?

A. Two of the local trains are state trains. They run between Springfield and Thayer, and terminate there; the other two locals are through locals. That is, they are interstate locals.

Q. Interstate locals run from Ft. Scott?

7656 A. From Springfield to Memphis.

Q. Springfield to Memphis?

A. Yes sir, all of the trains between Ft. Scott and Springfield are necessarily interstate.

Q. Between Ft. Scott and Springfield, and also between Kansas City and Springfield?

A. No, sir, all the Clinton district? Those are Missouri trains.

Q. Is it local there between Springfield and Joplin also?

A. Yes, there is local accommodation, between Springfield and Joplin.

Q. Now these other local trains, whether they are state or interstate, carry no Pullman cars, or cars of that type?

A. Yes. As I stated already, one of the daylight locals between St. Louis and Monett carries a sleeper.

Q. But doesn't that go on beyond? Is Monett the absolute terminus of the line.

A. The sleeper?

Q. No, of the line. Don't your train go on?

A. The train splits up pretty well there, and it would be pretty

hard to identify it beyond that. But that is the train I am referring to, as a local train. It has through connections, and in fact, every train we have has some connections.

Q. There are three sleepers that you run in this state that do not go out of the state, and that is all of the sleepers?

A. Are you referring to them as separate?

Q. Individual cars, no. I mean every day.

A. No, I have only testified to two, between Joplin and St. Louis and between St. Louis and Springfield.

7657 Q. That is two each way each day?

A. Yes, sir.

Q. Those are the only Pullman cars you run within the state exclusively?

A. Yes sir.

Q. Now, how much of a Pullman equipment do you run each day each way?

A. We run nine Pullman cars each way between Springfield and St. Louis, and eight Pullmans in each way between Springfield and Monett, and St. Louis; in other words one Pullman cuts out at Springfield.

Mr. HAGERMAN:

Q. The same eight go clear through?

A. Yes, sir.

Q. One extra put on at Springfield?

A. Yes, sir.

Q. As far as Springfield, one left and the others go through?

A. Yes, sir.

Mr. LEHMANN:

Q. All go in the state?

A. It may be that I am one or two cars wrong. We run thirteen or fourteen cars in each direction each day in Missouri, eliminating if you will permit me, the Kansas City end of it through Kansas here which is right here close at hand.

Here an adjournment was taken until Friday November 13, 1908, at 10 o'clock A. M.

7658 KANSAS CITY, MISSOURI, FRIDAY, *November* 13, 1908.

(Met pursuant to adjournment as above on Friday, November 13, 1908, at Room 120 in the Baltimore Hotel, Kansas City, Missouri; present parties as before, when the following proceedings were had.)

Cross-examination of Mr. CARL GRAY continued as follows.

By Mr. LEHMANN:

Q. The three months, July, August and September, are about your heaviest months for expense in the way of maintenance of way, aren't they, Mr. Gray?

A. No, sir, I would not say they were. Really our heaviest expenses come in the late spring months.

Q. The weed cutting is done practically in the months I have named?

A. That is a probable assumption.

Q. It is quite a heavy item, too, isn't it?

A. It is a heavy item as far as labor is concerned.

Q. It is the result that counts. I notice, for example, for the State of Missouri during the three months, July, August and September, 1907, that item was $52,576.16?

A. Of course that includes quite a number of things besides weed cutting.

Q. It is under the head of Weed Cutting and General Cleaning?

7659 A. Yes sir, it includes, as the distribution will show, quite a lot of work. It is classified for convenience under that head.

Q. That means keeping the track clean?

A. It means that the man who is cutting weeds is not using material.

Q. But that is the sum of the expense.

You had, during the month of July, 1907, an exceptional amount of ties laid, didn't you?

A. We carry that work along pretty regularly all the time. The charges might occur in one month, and it might occur that a great deal of material would be charged in that month.

Q. In July, 1907, I see $102,107.31 charged for ties. That is very exceptional, isn't it, in Missouri?

A. It is exceptional to this extent: That all of the ties which we are now putting in are a great deal more expensive than any ties we have ever put in before, and the ties all over the road through the summer months, of this year, were heavy on account of the fact that the spring months were very heavy flood months.

Q. I was speaking of 1907.

A. There were no exceptional tie renewals in 1907. It went along as fairly representative throughout the year. There may have been in that particular month arbitrary charges for ties that were equalized in the next month.

Q. That would be a very large charge, wouldn't it, $102,000 for one month, in Missouri?

A. That would be more than the ordinary charge, Mr. Lehmann.

7660 Q. The next month I find in red, which means a credit, instead of a charge?

A. It means just what I tried to explain to you, that it was an equalization.

Q. The red means a credit instead of a charge?

A. Yes, the red as used means a credit instead of a charge.

Q. We find a red entry of $3939.46.

Then the charge for September, 1907, was $21,652.81, making the total for the three months, $119,820.66?

A. If you will permit me, I will explain that. These things come back to one a little slowly.

We started out in July to distribute throughout the entire year equally our tie charges, upon an estimated basis, and we found our estimate was excessive, because we could not get the ties. It would have been all right if we had been able to get the material, but we could not do it. Therefore, we changed, and in the very next month or two, we dropped to the actual basis, and re-adjusted our figures.

Q. Now, you have something more than one-third of your mileage in Missouri?

A. It closely approximates one-third.

Q. Is that more difficult to maintain than your mileage outside the state?

A. In the generality I would say yes, it is.

Q. How much more?

A. It would be pretty difficult to approximate that.

Q. It doesn't cost half as much to maintain the Missouri
7661 ways as the ways outside Missouri, does it?

A. Are you now putting 2500 against 5000, instead of 11,700—is that the meaning of that?

Q. Take ties, would it take half as many ties to keep up things in Missouri as on the System outside of Missouri?

A. Probably not. But you are dealing in dollars there?

Q. Yes, we are dealing in dollars.

A. Of course a tie at one point is entirely different from a tie at another point. Our ties in Missouri are the most expensive ties we are using. It is not impossible that when it gets to money it will more nearly approximate what you said than one-third.

Q. The general expense of maintenance, though, will pretty nearly balance on the mileage basis, will it not?

I notice the total for maintenance of way and structures for Missouri is $588,893.51, and for the System during the same three months, $1,683,946.

In a rough way, that is nearly one-third; not exactly, but nearly so?

A. I do not know how those expenses have been divided. You are giving me the expenses for Missouri. I did not segregate the expenses.

Q. This is the segregation made by your company?

A. By someone else than myself.

Q. But by your company; this is taken from your books. That would be pretty close to the relation of mileage?

A. Yes, that is, approximately on mileage.

7662 Q. I do not mean to say by that that the attempt is to segregate on a mileage basis, but taking those results, they are fairly close to a mileage basis?

A. Thirty as against one hundred, yes.

Q. Since July, and beginning with July, your company does charge renewals of equipment to operating expense?

A. Will you permit me to explain that? If you will go through the year, you will find a re-adjustment of that, I am confident.

Q. You said yesterday that you were not in the habit of charging up renewal of equipment to operating expenses?

A. No, sir, I said of obsolete equipment. If I did not, I attempted to differentiate between a car which we are renewing, and which has not yet lived out its usefulness, as distinguished from a car that has, and is deliberately destroyed.

Q. I note you have here, under the head of "Steam Locomotives," an entry for renewal. That is in your printed form here, and under "Passenger Cars," you have a head for "Renewal," and likewise under "Freight Train Cars."

I believe the Interstate Commerce Commission recently said, in 1907, it required that renewals of equipment should be classified as an operating expense.

A. I can only say this, Mr. Lehmann, that I am not an expert in any wise upon distribution of expenses. But I have been given to understand through the year, that that is a matter of negotiation with the Interstate Commerce Commission, on the part of the
7663 railroads, and that those charges have been readjusted in the later months.

Q. It is a matter of recent bookkeeping, as I understand, Mr. Gray. Don't you require your station agents to prepare a monthly report, known as the "Performance Report," or something of that kind?

A. A "performance Report"?

Q. A report, the purpose of which is to disclose the cost per ton of handling freight, so far as concerns the individual station and yard?

A. That is a fact, insofar as it applies to the heavier stations only. I would say that that perhaps is true so far as Kansas City, Springfield, St. Louis and possibly Monett are concerned; but in regard to the generality of stations, no.

Q. Those reports come under your view?

A. They do if I ask for them, but not in the ordinary routine.

Q. The object is to keep you advised how much it is costing at these stations to handle freight per ton, both carload and less than carload?

A. That is primarily for the purpose of seeing that the expenses of handling on that particular platform bear a fair relation to what it has done theretofore; not so particularly with reference to the cost itself. In other words, it is a physical comparison we are attempting to make.

Q. And don't you want also to see if the men at one place are doing as efficient work, and so forth?

A. That comparison is not fair. In other words, it is not
7664 one upon which you can base a conclusion, but is one upon which you can base an investigation.

Q. What is the cost of handling your freight per ton, say at Monett, can you tell?

A. No, sir, I cannot. Our conditions in Monett are a little chaotic now, and have been for some little time. Our depot was burned, and we are not doing the work to advantage.

Q. Can you tell the cost of it at Kansas City?

A. Kansas City has been running somewhere between thirty and thirty-five cents.

Q. How about St. Louis?

A. St. Louis as an average is a little bit higher than Kansas City; quite frequently there is one or two cents difference between those two stations.

Q. Is that on all freight, or only the carloads?

A. No, sir, that is only on the package freight handled on the platform.

Q. I do not know whether I asked you whether you could estimate the relative amount of your less than carload freight as compared with your carload freight, handled over your lines in Missouri?

A. No, sir, I could not estimate that.

Q. Could you estimate the relative amount of carload freight which is state freight, and the amount of carload freight which is interstate freight in the State of Missouri?

A. No, sir, I have no definite information.

Q. All of your local trains, though, handle both state and
7665 interstate freight?

A. Yes, sir.

Q. And a majority of the freight is interstate freight that is handled on the local trains?

A. I have already testified, I believe, that to the best of my opinion, a slight preponderance was in favor of the interstate freight.

Q. Can you tell what proportion of state freight is handled in through trains, those trains that run unbroken over a division?

A. I could only make the roughest sort of a guess on that.

Q. What would be your guess?

A. I should say between 20 and 30, or 35%.

Q. Freight handled on through trains is state freight?

A. Yes, sir.

Q. That is, beginning and ending in the State of Missouri?

A. Yes, sir.

Q. There is one matter that has been suggested to me, that was not clear to my understanding of your testimony yesterday, with respect to the relative number of cars handled by local trains and through trains. Your testimony was that a through train would handle as many cars individually as a local train would handle, pulling of course a great many over a longer distance, but the local train, setting out cars at one place and picking them up at another, would about balance up the train.

That was my understanding of your testimony; is that cor-
rect.

7666 A. I did not intend to create that impression. They will not balance. The local trains will handle, I think it is safe to say, two to three times as many cars as the through train will handle.

Q. How many of your freight cars would you say were in the

local service as compared with those in the through service, taking it all together?

A. On account of the fact that there are the two terminals in state freight, which constitutes an allowance at both terminals for loading and unloading, and that with interstate freight there is only one terminal, where there is an allowance made for that purpose, and on trans-state, where there is no allowance made whatever for that purpose; considering the delay in moving the car after it has been made empty, or after it has been placed for loading, before it is really loaded, the best estimate I have been able to reach, considering the shorter average haul, the best estimate I have been able to make is that it will take from five to eight times as many cars in strictly state business as it would in interstate or trans-state business.

Q. There is no difference in the requirements of the state business and the requirements for the interstate business, which is local. They are both the same kind of stuff, aren't they?

A. There is this distinction, Mr. Lehmann, that in figuring this proposition, we have got to figure this delay on both ends, and we have got to figure there is only one end for one of it, and two ends for the other.

Q. Aren't there two ends to every haul?

7667 A. Yes, sir, but each of those ends minimizes as that haul increases.

Q. I understand. But take total number of your cars engaged in local service, regardless now of state or interstate, and the total number of cars engaged in through service, regardless of state or interstate—how do they compare? In which do you employ the greater number of cars?

A. In the interstate.

Q. In the through, you mean?

A. Yes, sir.

Q. What proportion would you say they bear to each other—that is the through service and the local service in the tonnage?

A. I do not believe anybody could estimate that.

Q. Has there been any effort made to ascertain the proportion of cars used in through and local service?

A. No, sir.

Q. And you would not like to make an estimate on that?

A. No, sir.

Q. Except you feel sure that, relatively to the amount of tonnage handled——

A. There are five to eight times as many cars required.

Q. But the tonnage of those used in the through is greater than the tonnage of those used in the local?

A. Yes, sir.

Q. What would be the proportion of engines? It would be much greater in the through than in the local?

A. I would say that that more nearly breaks even than

7668 any of the other figures. That is due to the fact that the branch lines, where we have a short mileage, and where the

mixed trains are used, which I classify as local in my own estimate, I believe it is fair to assume that there are just as many engines used in local service as there are in through service.

You get a greater mileage, of course, out of the through, but I believe it is fair to say, we use just as many engines in local service in Missouri as in through service.

Q. That of course would be determinable by the number of trains you run. Of course, whatever number of cars you have, it has one engine?

A. That is true.

Q. Can you give the relative number of trains used in the local and in the through service?

A. I want to qualify what I have just said. It does not necessarily follow that the number of trains is a fair basis upon which to approximate that.

I have tried to explain that a local train will consume the engine's time for twenty-four hours, during which time we can have run three through trains with one engine. That is not an inconceivable thing.

Q. You do not have any engine that runs twenty-four hours consecutively, do you?

A. No, sir, but we have had engines that made 300 miles in twenty-four hours, very reasonably.

The point I wanted to make is that the local engine is arbitrarily tied up. For that reason I believe that the fairest estimate is
7669 to about divide those.

Q. Have you made any account, or any efforts to ascertain specifically?

A. I am just testifying upon my general experience.

Q. And you have no records in your office by which you can ascertain that?

A. No, sir.

Q. So as a matter of impression only, you can answer?

A. Engines are switched from one service to another, so I have got to approximate it.

Q. Can you state your schedule of wages, or have you that?

A. Yes, sir, I have that right here.

Q. That is better than asking you to state your recollection.

Q. I could state it practically from recollection.

The train crews, back of the engine, I mean, the train crews in local service, the conductor is paid $113.85 a month, which is based upon working days.

Q. Will you please explain that?

A. I mean, eliminating Sundays. The working days of a month, per calendar month.

Q. How many days make up that month?

A. Twenty-five or twenty-six, according to the number of Sundays in that month.

Q. Do you mean if he worked Sundays he would be paid extra?

A. Yes, sir.

Q. So it really resolves itself into a day basis?

7670 A. It really resolves itself into a day basis.

Q. Suppose during that period of days included within the calendar month, he does not work any time—I don't mean because he is not ready to work, but because you have no work for him. How does that figure out?

A. He has to work. The work is there. That is the one distinctive feature about local service; it runs.

Q. Then why doesn't it come to this, that there is a fixed amount per month or per day?

A. I can give it to you per day. I was giving it simply as it appeared in our scale.

Q. It is a little more than $113 per month?

A. No, sir, if he works the month prescribed for him, he would draw this wage.

Q. Do some of them work every day, Sundays and week days?

A. The runs are varied so as to approximate that.

For instance, we will have a run where there are two crews and they will work strictly upon the work day basis. Now, they will work twenty-five or twenty-six days, as the case may be, for this stipulated monthly wage. Therefore, in that case, it can be properly divided by twenty-five or twenty-six.

Of course they have a contingent allowance, after they consume certain hours, then they have their contingent allowance.

Then on another local run there will be three crews, who will each be paid the monthly wage, and those crews will run every day, with the result that each crew works only two-thirds of the month; so they are reduced from the twenty-five or twenty-six day basis to approximately twenty-one or twenty-two.

7671 Q. And are paid for twenty-one or twenty-two days?

A. And are paid this wage I have stated, for the twenty-one or twenty-two days.

Q. So it is actually the working time that is the basis of their wages, and if by division between the crews, each crew does not work the full amount of working days in the month, it is not paid for the full amount of working days?

A. That is almost inconceivable, because the local train is always run.

Q. I am basing my suggestion on what you had just stated. Where, for example, you had three crews dividing up a certain amount of work, and that developing twenty-one days' work for each crew, and it was paid for twenty-one days and not the month?

A. No, sir, it was paid for the month for twenty-one days' service. That is, a month's work for that crew.

Q. It gets $113?

A. Yes, sir, it gets $113 for the month, which we decide is this twenty-one days, or the twenty-five or twenty-six days, as the case may be.

Q. Some crews work more days for the same money than others.

A. Yes, sir.

Q. I got the wrong impression from what you have stated about that, but now I understand you.

So the crew that works twenty-one days is simply five days better off in that respect than the crew working twenty-six days?

A. That is right.

Q. The conductor receives $113 a month, you say?

7672 A. Yes, sir, $113.85 is the conductor's wages.

The brakeman gets $75.90.

Q. And how many brakemen are there?

A. On local trains in Missouri, about half; I could be more definite, if you wish, in a moment. One-half are supplied with three brakemen, and one-half with two brakemen.

Q. What else is to be considered here on your local trains?

A. In the local service we pay the engineer as on through service, on the basis of 100 miles or less, and he is paid for that $4.90 for the smaller class of engines, and $5.15 for the heavier class of engines.

If a local run should happen to exceed 100 miles, he is paid proportionately on the basis of 4.9 cents, or 5.15 cents per mile.

Q. Is this a fair statement of it; that the engineers on the local trains, according to the character of the engine, are paid 4.9 cents, and 5.15 cents per mile run, with a minimum of 100 miles for a day's run?

A. Yes, sir, that is right.

Q. Does that dispose of the train crew of the local trains?

A. If you will pardon me for a moment, I will give it to you for the fireman.

In the local service there are three rates for firemen, according to the class of engine used, ranging from $2.90 to $3.10 per 100 miles or less.

Q. Otherwise they are on the same footing as the other?

A. Yes, sir.

7673 Q. What is it for through service?

A. In the through service the fireman's wages run from $2.65 to $3.30 per 100 miles, or less.

Q. And on the same footing again?

A. Yes, sir.

Q. Is there anything more for the employees on the local train?

A. No, sir, those are the employees on the local train.

Q. Now, on the through train?

A. In the through service the conductor is paid $3.80.

Q. Per day?

A. On the 100 miles or less, and excess proportionately.

The brakeman is paid $2.53 per 100 miles or less.

Q. That is on a mileage basis again, with a guarantee minimum of 100 miles per day?

A. On 100 miles per trip.

Q. But at least one trip per day?

A. No, sir, there is no guarantee in the through service at all.

Q. Except as to the trip?

A. Yes, sir, except as to the trip.

Q. If the trip exceeds 100 miles?

A. Then he is paid proportionately.

Q. And the amount indicates itself?
A. Yes, sir.
Q. But if it is only a trip a week, he is paid only for the trip?
7674 A. That is all he is paid for.
Q. You do not guarantee the number of trips, but you guarantee simply the minimum per trip?
A. Yes, sir.
Q. And what is the engineer paid?
A. The engineer is paid in the through service a varying rate, dependant upon the class of engines used. Those rates are from $4.60 per 100 miles or less to $5.00.
Q. Owing to the rating of the engine?
A. Yes, sir, owing to the rating of the engine.
Q. And again a guaranteed minimum of 100 miles?
A. Yes, sir.
Q. And proportionate payment for excess over 100 miles?
A. Yes, sir.
Q. And that again is per trip, and not per day?
A. Yes, sir, that is per trip.
Q. What is the number of brakemen on the through train?
A. We have two.
Q. Is that all except the firemen?
A. Yes.
Q. What are the fireman's wages in the through service?
A. In the through service the fireman's wages run from $2.65 to $3.30 per 100 miles or less.
Q. And on the same footing again?
A. Yes sir.
Q. Have you any way of determining the total wages paid to men in the state service as distinguished from interstate service?
7675 A. No, sir.
Q. And no way of determining the total pay to men engaged in the through service as distinguished from the local service?
A. We could get that very easily.
Q. The total?
A. Yes.
Q. I would be obliged to you if you will give me that. That of course, will be over your System?
A. I could not give that for Missouri.
Q. But you could give it as to the system?
A. No, sir, I could not give it as to the System.
Q. Could you give it for through and local?
A. That could be worked out, but it never has been of any value to us, and for that reason we have never discriminated between them.
Q. Would it take some time to work it up?
A. It would depend upon the period you wanted it for.
Q. I would take any typical period whatever; you are a better judge than I am about that. Any period that would be typical as illustrating the relation.

A. As between the two?
Q. Yes.
A. As to the gross amount?
Q. Yes.
A. It would be hard to pick a typical month, they vary so. The local is almost a fixed figure, and the through varies according
7676 to the business.
Q. A year, then, would meet it?
A. A year would meet it, and I believe it could be prepared in the course of a week.
Q. In the course of a week?
A. Yes, sir.
Q. You say the local is fixed, but the through is variable?
A. The through is variable.
Q. That is to say, sometimes you have a rush, and sometimes comparatively little in that way; isn't that what you mean by that?
A. That is what I mean exactly. It is governed by the movement of the business.
Q. What causes that variableness in the through?
A. It is governed entirely by the business that is offered. The local service is run regularly, regardless of the business that the railroad company does, and the through service is large or small, according to the business offering more than the local can handle.
Q. Does it arise from things like this: For example, cotton seeks the market at a particular time, as a rule, and comes in on you with a rush. I am taking that as one example.
A. Cotton is one example, but it is not that alone. On a system like the Frisco, it is not a large enough item to materially affect us.
Q. Not the cotton alone, but wheat and corn would be a thing seeking a market at a particular time?
7677 A. Yes, general business activity or lethargy will make it go one way or the other.
Q. And every year there is a sort of periodicity about it. Some years there is a lot to move, and again it does not come to be moved?
A. Yes, that is true.
Q. It is true of all your through products, I take it, that live pork, for instance, seeks the market more in summer than other parts of the year?
A. Yes, sir.
Q. And cattle?
A. Those you mention are seasonable; that is, they have their own seasons.
Q. How much of variableness will there be? You have stated you ran three through trains to one local train, but that would not be every days. That is, the through trains are not scheduled trains?
A. Some of them are.
Q. Perhaps I used the wrong term. They are not fixed like the local train?
A. They are not at all fixed like the local train.
Q. You may sometimes run instead of three, six to eight through trains?
A. Yes, sir.

Q. And another day, none at all?

A. That is hardly conceivable that we would run none at all, but we might run very much less, or even more.

7678 Q. But it will average about three?

A. I believe that, taking our entire line in Missouri, if anything that is strong. I have testified to three, and under normal business conditions it will possibly do that. It is a good, strong estimate, three to one.

Q. Then it varies between one and seven or eight a day, reaching that average of about three?

A. No, sir, it is a more regular movement than that, Mr. Lehmann, it does not have as wide a range as that.

Q. How wide a range has it, Mr. Gray?

A. I think you take a busy freight division, such as our main line, where we have the through train, and I think a range of one train each way will run pretty close to it.

Q. A range of what?

A. One train. For instance, we may average today ten trains, and if we average tomorrow twelve, there will be quite a difference, and if it runs down to eight there will be quite a difference.

Q. Do you think as many as that run on your main line?

A. We have easily that on our main line, and that is the only thing that makes the average, because on the lesser line we have only the one train.

Q. Only one through train?

A. Only the local train.

Q. The heavy staples of commerce, many of them have especial cars, coal cars, for instance?

A. Yes, sir, coal and stock.

7679 Q. And they are loaded one way only?

A. Yes, sir.

Q. And those cars are not well adapted to any other kind of use?

A. They are not all loaded one way, but the majority are loaded only one way.

Q. And the same thing is true of oil and tank cars?

A. That is true of tank cars.

Q. And necessarily so, because they are adapted absolutely only for carrying oil?

A. Yes, sir.

Q. And that is substantially true of refrigerator cars?

A. Not to the same extent.

Q. But substantially true?

A. Well, I don't know exactly. I want to be understood as saying that we are able quite frequently to have loaded cars in both directions on the refrigerators, where I would not have it on the oil cars.

Q. On the oil cars you would not have it at all?

A. Oh, yes, quite frequently those products move in opposite directions.

Q. But not often so?

A. No, sir.

Q. More often than not your refrigerator car moves empty one way?

A. Yes, sir, that is a fair assumption.

Q. You, of course, have to maintain the amount of equip-
7680 ment which will enable you to accommodate the rush of traffic when it comes?

A. We have either got to own that equipment or it has got to be furnished by someone else. In other words, it has got to come to us somewhere, either through ownership or contributed by a connection.

Q. And when contributed by a connection, you pay rental?

A. We pay what constitutes rental.

Q. Which you prefer not to do as a rule. That is to say, the rental is fixed at a rate you feel you can better afford to own your cars?

A. I would not want to own many cars today for the rental I could get for them.

Q. That is because of the depression in business?

A. Yes, sir, that is one of the reasons that the rate is placed at its present figure today, although it has been that through periods of great prosperity.

Q. In the main, however, you prefer to own your own cars, I take it?

A. Yes, with this qualification: That if we own the cars we can control them; that is the principal advantage right now in owning them; otherwise it is less than a break even. In other words, the rental would not compensate a railroad for buying the cars.

The COURT:

Q. It is cheaper to rent than to own, if you could get them?

A. Yes.

7681 Mr. LEHMANN:

Q. Can you tell how many train crews you have in the through service, as compared to those in the local service?

A. This is confined to the State of Missouri?

Q. Yes, if you can answer it that way.

A. Mr. Lehmann, you would have to give me the benefit of saying that these are guesses, and that they are rough guesses. I would say that our local crews, compared to the through crews, are between two or three to one, in favor of the through crews.

Q. Two to three times as many through crews as local crews?

A. Yes, sir.

Q. That being so, taking these differences in wages, what is the difference in cost per ton mile for handling the traffic, so far as these train expenses are concerned, between your local and your through freight?

A. If you will permit me, you have only the basis of it. The contingent allowance adds considerably to each of these figures.

Q. To which will they add most?

A. To the local.

Q. Because they may be out more time?

A. They will earn more of what is known as "over time".

Q. Taking that, how much would you say was the relative cost of producing a ton mile in the through service and the local service, so far as concerns these expenses of train crews?

7682 A. I would say six to ten times.

Q. From six to ten times as much?

A. Yes, sir.

Q. What is the number of ton miles on the average produced by a through crew in a day for the equipment, on the 100 mile run?

A. I have not had that segregated in that way.

Q. You simply make your statement as a matter of impression, and not as a matter of definite ascertainment or calculation, based upon the actual achievement of the two crews, and then applying their wages to that?

A. I have had occasion to inquire as to the relative cost of wages per train mile, paid to crews in local and in through service. Now, that will average per train mile approximately fifty per cent more than the through service.

Q. Fifty per cent more per train mile?

A. Yes, sir, fifty per cent more per train mile for wages.

Q. Is that the result of specific investigation?

A. Yes, sir, that is the result of investigation.

Q. Have you got those figures in tabulated form?

A. I can give that information specifically, Mr. Lehman, with regard to the districts where they are operating through and local service, but not to the districts where there is only local service.

Q. What are the districts in which you can give it specifically?

A. The three districts between St. Louis and Monett, and
7683 the district between St. Louis and Crystal City, and the district between Crystal City and Chaffee. The district between Springfield and Thayer and the district between Springfield and Fort Scott.

Q. Those are all in Missouri?

A. The only exception being the last one, which is mostly in Missouri.

Q. What have you in the way of specific figures on that?

A. The figures contrast as 18 to 26.6.

Q. That means 18 for the local?

A. 18 cents being the average wages per train mile in through freight, and 26.6 cents being the average per train mile in local.

Q. You have stated it in terms of local train wage expense?

A. Yes, sir.

Q. To produce a train mile?

A. Yes, sir.

Q. Can you give me the relative proportion of tonnage to the train mile in through and local service?

A. Only in general terms.

Q. That might be tolerably wide of the mark. That is mere guessing?

A. Oh, no, it is not mere guessing, only in times past, in an effort to determine how much of our efficiency we were failing to

secure in local service, I have made those inquiries. Never with relation to anything except just to see whether we were getting all we were entitled to.

7684 Q. 18 cents per train mile for train crew service on the through train?

A. Yes, sir.

Q. And 26.6 cents per train mile for train crew wages on the local service?

A. Yes; that is the wages of the crew on the train.

Q. Have you carried that further to find the entire transportation expenses compared on a train mile basis, as between the through and the local?

A. No, sir.

Q. That is the only definite analysis?

A. Yes, sir, that is the only definite analysis that is capable of being made.

Q. What proportion of the expense of the train mile would that be, do you think, speaking as a railroad man; that is, this train crew expense?

A. Of the total operating expense?

Q. Yes.

A. In order to answer that, I have got to average those two.

Q. No, the total operating expense of each kind.

A. I have never segregated that.

Q. I find in the report of the Wabash Railroad Company, for the year ending June 30, 1908, they state that the operating expense per traffic train mile for the year ending June 30, 1908, is 1.21, and 1.211 mills?

A. That necessarily includes both freight and passenger

7685 It is bound to.

Q. I suppose it does.

A. I would say that is interesting. That is about all the comment I would care to make on that. That is all that a railroad man could make on that figure—I do not mean to be frivolous.

Q. I understand that; but I am not enough of a railroad man to see why it is interesting.

A. I mean it is not comparable with anything we could produce, and is not a fair figure with regard to any experience I have had, and is produced under conditions entirely dissimilar to anything with which I have had experience.

Q. You mean it is so low or so high?

A. I mean, in other words, I have never looked at the figures with any interest, as applied to me or my work, which puts those two together. They are so entirely dissimilar that they are interesting.

Q. Do you, in your accounting, keep or make an estimate of that kind, of the operating expenses per traffic train mile?

A. It is possible it might be in some of the statistics which are furnished, but at which I would not look, except with a little curiosity.

Q. And you have no estimate in mind of any cost of that kind,

either where it is inclusive of both passenger and freight, or where it discriminates between passenger and freight?

A. I could give you our figure on that for a year, in a moment.

7686 Q. The figures corresponding to this figure of the Wabash Company?

A. Yes.

Q. I wish you would do that.

A. The figure you wanted to contrast with the Wabash figure is 1.21. It is 1.21 for the fiscal year ending June 30, 1907, and 1.22 for the fiscal year ending June 30, 1908. By a coincidence, it closely approximates the figure of the Wabash company.

Q. Train service is the largest single item in connection with transportation?

A. Yes, sir, that is the largest single item, but bear in mind there are many other items.

Q. Your engine crew expense depends largely upon the time the engine is out?

A. Yes, and on what that engine does.

Q. I suppose it consumes less fuel when it is standing still?

A. Yes, sir, but it consumes fuel relatively in switching, which is not compensated for. You are reaching a ton mile basis, and switching has no compensating ton miles.

Q. The amount of fuel consumed depends on the time the engine, is out, and what it does?

A. On the two services, the length of time it is out and the work it performs.

Q. It uses fuel when it is out and standing still, but it does not use as much as when it is in operation?

7687 A. Yes sir, and it uses a greater amount of fuel to perform at the ratio of 60 than it does at the ratio of 80.

Q. I do not get that.

A. I want to say, we will add one-third onto the train, and you are not adding one-third in proportion on the fuel. You are keeping your engine at a certain amount of steam, and that engine using that steam would move probably more of a load.

Q. That applies clear through, that you are not always able to use the engine up to the full efficiency of the steam it is making?

A. That is the contrast made between the through and the local.

Q. That would be the ideal condition, to use your engine up to the full efficiency?

A. Yes, sir, that would be the ideal condition.

Q. Which, of course, is never attained?

A. No, sir, it is never done.

Q. Your yard service is another item of expense?

A. Yes, sir.

Q. In making your estimate of the relative cost of local and through service, you are disposed to charge the through service with either no terminal, or but one. Or, rather, the interstate service?

A. Not wholly with reference to yard service.

It is a lesser ratio than the generality of expenses, because the cars are handled to some extent in the terminals.

Q. But what might be called distinctly a terminal charge,
7688 in what you call trans-state freight you make no terminal charge against that at all?

A. Oh, yes, I have considered that that has consumed a certain time of the yard engines at the terminals. I mean by that, the physical terminals, without relation to the terminal of the freight.

Q. In other words, say freight from Chicago, coming through St. Louis and destined to a point on your road outside the State of Missouri, must have some yard service at St. Louis?

A. There is some service in the yard at St. Louis.

Q. In other words, it goes through the Terminal, and the Terminal delivers it to you, does it—I mean the Terminal Railroad Association in St. Louis?

Suppose a carload of freight coming from Chicago to be delivered to you, it reaches East St. Louis first?

A. There is a difference, Mr. Lehmann. If freight comes from Chicago over the Chicago & Eastern Illinois Railroad, it is handled by the engine of that company from their yard at Madison, right across the bridge, and into our yard.

Q. What bridge?

A. Whichever is the most convenient for the Terminal Company to allow them to pass, but ordinarily over the Merchants' Bridge.

Q. Not over the Alton Bridge?

A. No, sir.

Q. It is handled by their engine?

A. Yes, sir, by their engines.

7689 Q. They switch it over into your yard?

A. They bring the car right through, and set it on a track which we designate for it in our yards.

Q. Where does the Chicago & Eastern Illinois classify its freight which it brings from Chicago?

A. In Madison.

Q. The classification yard of the Terminal Railroad Association?

A. No, sir, in their own classification yard.

Q. They break up the train?

A. Yes, sir.

Q. And they shunt these cars on the classification track?

A. Yes, sir.

Q. After that they pull out what is destined to your road and pull it over to you?

A. Yes, sir.

Q. They get together all that is intended for you?

A. Yes, sir.

Q. And then you take those cars and you may have to classify, if there is more than one car?

A. We have to classify it, but not to the extent of an ordinary delivery from another connection, because the Chicago & Eastern Illinois Railroad has classified it as we want them to, in their own

yard, before they bring it over, so as to make us just as little work in the distribution as possible.

Q. You operate in peculiarly close conjunction with the Chicago & Eastern Illinois Railroad?

7690 A. Yes, sir.

Q. That is one of the Rock Island family?

A. Yes, sir.

Q. It is a little easier, then, when the freight comes over that line?

A. It is considerably easier.

Q. But even there they bring over, if there is more than one car, they have to put the cars destined over one of your lines in Missouri—they put it here, and those destined for another line they put there, and so on?

A. Yes, sir, and the short hauls are switched together, as contrasted with the long hauls, switched together.

Q. They bring them over to St. Louis into your yard in North St. Louis?

A. No, sir, in west St. Louis.

Q. How do they get there? Over the Belt Line?

A. Over the Terminal track, and over our line.

Q. Over the Belt Line?

A. They run the engine with these cars right over the Terminal tracks.

Q. Then you divide again. You put each group of cars in the train where it belongs?

A. Yes, sir.

Q. So that all service of that kind, and we have taken now the simplest kind when it comes through that road, is incident to the through traffic?

A. Yes, sir.

7691 Q. Suppose a car was loaded at an industry on your track in St. Louis, what would be the difference?

A. The engine in its ordinary routine there would pick that car up, send it with others, and bring it into the yard and place it on the track, which is in the ordinary routine of work classified for that purpose, put it into the proper train where it belongs.

Q. There is not very much difference between that and the other?

A. There is a great deal of difference. The point is that the crew picking up these cars from the industries, pick them up just as they come, and they are occupying the main line to a considerable extent, and they cannot wait to do any classification, and when they bring the cars in, there is a long string of them, and they are mixed from one end to the other, and they have probably to be switched car by car.

Q. Aren't those differences treated as negligible by companies doing switching in St. Louis?

A. They are treated as negligible, so far as getting anything out of it, but not negligible by a great deal as to what it costs to do it.

Q. Do you know what the Burlington road's switching charges are in St. Louis?

A. No, sir.
Q. $1.50, or something of that kind?
A. I don't know anything about the charges, but I mean it is a blanket so far as we are concerned. We get the same for
7692 one service as for the other.
Q. When a train comes to you from outside, one of the Rock Island groups, the handling of it is more elaborate?
A. Yes, sir.
Q. And more expensive?
A. Yes, sir.
Q. So there is some charge there?
A. Yes, sir.
Q. You have spoken, however, of the fact that your trans-state shipments had no terminal to be reckoned with, in one sense; you say there is no terminal charge to apply to that. What distinctive terminal charge have you in mind?
A. As not applying — that at all, I had reference to the station and accounting expense. As mentioning it in its general sense, I meant it is not comparable as to any terminal expense, including the yard.
Q. The yard service must be rendered, in any event, but the station service you eliminate on that trans-state freight?
A. I do not entirely eliminate it. I take it into consideration.
Q. The station service and the yard service are pretty nearly on a level.
I notice for the three months' expense you have here (indicating statement) for Missouri station service is $206574. And for yard service it is $227,192?
A. What is the question?
Q. I say the station service and the yard service are pretty
7693 nearly on a level with each other. I presume that simply from the figures in this statement. One is $206,000, and the other is $227,000.
A. The figures would indicate that. I had not noticed that similarity of expense. In the main, however, they are not very far apart.
Q. I notice, taking it by months, for example—the month of July, station service, $33,000, and yard service $36,000.
In August, station service $39,950; yard service, $82,381.
For September, station service, $73,400. Yard service $78,367.
They are tolerably close?
A. I can answer that in this way, that I know nothing about the division of expense, or how those figures you have been reading have been divided. I only treat the expenses as a whole, and the line over they closely approximate each other.
Q. That is indicated on this statement. I understand these expenses have been allocated as closely as possible to the actual place incurred. I understand that is your mode of accounting. But you ought to know better than I.
A. That is our supreme desire, to get those where they properly belong.

Q. So the terminal service would practically split itself in two, half to yard service and half to station service?

A. Just about.

Q. And you eliminate the station service in the case of
7694 the trans-state freight, of all?

A. Eliminate it?

Q. Eliminate it as being an element of expense in the state?

A. If I may borrow your expression, I would say it is negligible as regards trans-state.

Q. Well, you think that is negligible as regards trans-state?

A. Yes, sir.

Q. And how about interstate?

A. In interstate it has but one terminal.

Q. Now, this yard service, there is more of that in relation to through freight than with relation to local freight, isn't there, expensive again in large yards?

A. The gross, yes.

Q. Because your yard service in the case of through freight is rendered in the expensive yards?

A. No, sir.

Q. St. Louis is a very expensive yard, isn't it?

A. It is quite an expensive yard, but the state service is right there in it.

Q. Some of it. Some of your yard state service?

A. If you will permit me, I will say in answer to that question, as I believe you are now contrasting through and local——

Q. Yes, not state and interstate, but through and local.

A. I will make up a through train at St. Louis, and make up that train cheaper per car than I can make up a local train, even
7695 if the local train is shorter.

Q. You think you make it up less per car?

A. Yes, sir.

Q. If you make up both in St. Louis?

A. Yes, sir, or if I am making them up at any terminal where I use a classification yard, in making up all these trains.

Q. You do not have a classification yard at the way stations?

A. No, sir.

Q. You do not need it?

A. No, sir.

Q. What would you say as to $1.50 cost per freight train per mile on your road?

A. I don't believe it will run more than ten or fifteen cents per month either way, in the year. I had $1.47 in my mind as a recollection of the approximation on that.

Q. The passenger train mile would be more?

A. It would be more nearly $1.10.

Q. Less in expense, you mean?

A. Yes.

Q. Who makes up this statement you have here?

A. That is made by Mr. Douglass' department.

Q. Have you in this any classification of the through and local freight?

A. No, sir.

Q. And none of the state and interstate freight?

A. No, sir.

7696 Q. You have here a ratio of each class of expense to total operating revenue, maintenance of way and structures, 16.57?

A. I think you are reading it for the month.

Q. Take 1907, because that is the one the others are based on.

Maintenance of way and structures, 14.60

Maintenance of equipment, 12.33

Traffic expenses, 2.28

Transportation expenses, 33.22

General expenses, 2.54

Making a total of 64.97, or roughly speaking, 65%. That is the total of your operating expenses in proportion to your operating revenue?

A. Yes.

Q. That does not include taxes?

A. No, sir, that includes only the operating expenses that you have read there.

Q. Does this give the revenue for the month of June, too?

(No answer.)

Q. There was a depression in business which affected transportation, I take it, in October, 1907?

A. Yes.

Q. Transportation business shared with every other business in that depression?

A. Yes, sir very sensibly.

Q. And possibly in more marked degree?

A. I think it kept fair pace with general conditions.

7697 Q. You were not having cars enough to do business in the early days of 1907, and in the last days, you did not have enough business for your cars?

A. Yes sir, that is a fair expression of it.

Q. I notice here, for example, in this income account statement, that your revenue for the month of June, 1907, was $3,143,508.09

And for the month of June, 1908, $2,404,822.70

That is quite a material difference?

A. Yes.

Q. And due to the business depression, wasn't it?

A. That was due to more causes than business depression.

Q. But mainly it was due to business depression?

A. I don't know that I would be willing to say mainly; that was one of the causes.

Q. What else?

A. Well, the cause, the extent of which I would not attempt to comment on, was due to the reduction in revenue from passenger and freight, on the unit handled.

Q. There was no reduction in freight tariffs, was there?

A. You understand you are asking me now to discuss a document which covers all the states?

Q. Yes.

A. I will say that there has been a very material reduction in freight rates in the territory covered by this System.

Q. The rates in this state were not reduced, were they?

A. I don't know.

Q. I think that is a fact.

7698 A. I would not attempt to qualify on that, Mr. Lehmann.

Q. You had very many less cars in use in June, 1908, than you had in June, 1907?

A. Yes, sir.

Q. It was the matter of marked comment that your side tracks on your road, and every other road, were filled with empty freight cars, waiting for business?

A. We had quite a number of surplus idle cars.

Q. Was not the statement made that there was something like $500,000,000 idle, in the shape of freight cars in the country?

A. Applying that to the number of cars, possibly. It ran up to 380,000 idle cars in America.

Q. Of which your company had its full share?

A. Of which we had our share.

Q. And that was due to the fact that there was no business to handle, and not to the rate at which the business was handled?

A. At the same time, in those figures is a very considerable expense, a diminution of freight earnings due to rates.

Q. You have pointed out the rate per train mile, the average between the freight and the passenger; can you segregate the two?

A. Segregate the two between freight and passenger?

Q. Yes.

A. It is not in that statement. That is why it is interesting; it is interesting, but not instructive.

Q. Would you put the freight train at 1.47?

7699 A. Yes.

Q. And the passenger train, bringing down the average to 1.21?

A. Yes.

Q. So your freight train is the most expensive per train mile?

A. Yes.

Q. You handle state and interstate freight in the same cars in your local trains, don't you—your parcel freight, for example?

A. That will be frequently the case, that we would do that.

Q. You, for example, not necessarily on one of the great terminal points, but at the large jobbing points like Springfield, sending out goods and merchandise of all kinds over your line, you will make up a break bulk car, and that will deliver freight from where it starts at Springfield, clear to the end of the line, which may be in another state?

A. Yes, and before that is empty we will begin to load into it.

Q. At some other point?

A. Yes, sir, at some other point.

Q Of a somewhat similar nature a distributing point?

A. No, sir, at a local point. It is not improbable that that car has been divested of half its load, and then we begin to load into it offerings at these local stations; it may be interstate or it may be state; it cannot be trans-state.

Q. It could not be trans-state freight?

7700 A. Not so far as Missouri is concerned, but it could be as far as other states are concerned.

Q. Is there much business of that kind, from one way station to another?

A. It is insignificant.

Q. And this local and way freight, this parcel freight, is really the freight from these business points out to their customers?

A. Or freight from the customers to these business points.

Q. What do those customers send in, as a rule?

A. They send in eggs.

Q. And small dairy and poultry products?

A. Yes, sir, dairy and poultry products and wool and skins—well, all the produce of those communities.

Q. And that is state and interstate?

A. Yes, sir, that is state and interstate.

Q. And it is handled in the same cars?

A. It is mixed up in the same cars. In other words, the man handling that does it as to economy, and not any other relation.

Q. You handle it, I mean in the actual handling and transportation of that freight, you handle it as local, rather than as state and interstate?

A. Yes, sir.

Q. What are your relative charges upon that kind of freight as between state and interstate?

A. I don't know. I don't know anything about freight

7701 charges.

Q. Taking the same kind of stuff, just the kind of stuff we have been talking about, that is hauled in that local service, state and interstate, what is the relative increase of cost for handling the state over the interstate traffic of that character?

A. As regards its application to what we would term the movement expense, I would place that at somewhere between six and ten times as much.

Q. Six and ten times as much?

A. Yes, sir.

Q. That is, this local freight, that part which is interstate and that part which is state, you would say that in proportion, say, to the ton mile, which would indicate the distance. The ton mile is fair to get the distance relation?

A. Yes.

Q. That would cost six to ten times, is that right?

A. I said six to ten. I attempted to make clear that I am talking about movement expenses now. I understood your question to be, through and local?

Q. No, sir, state and interstate, and interstate in that local business.

A. I will safely place that within that range.

Q. From six to ten times as much?

A. Yes, sir.

Q. Per ton mile to handle the state traffic, which is involved in that local business as to handle the interstate traffic which is involved in that local business?

7702 A. Yes.

Q. The distribution of freight at Springfield and similar points, of merchandise and things of that sort, and the return of wool and dairy products and farm products, those are handled in less than carload lots?

A. I think that is a fair range, yes.

Q. And which is handled in the same cars?

A. Well, it is frequently handled in the same cars.

Q. Why would you make a difference between freight of that character, which is purely local freight, goods, wares and merchandise, sent out from what we may call the jobbing and distributing point to the way station, to supply the domestic needs of the people there; and then the return freight brought in from those stations, which is of the same quality, whether state or interstate—why would you make that difference? Is it because of the average difference in the length of the haul?

A. Incidentally, and to a material extent; but I reach this deduction because originally and primarily we are running that local train for the benefit of the localities, and therefore for the state traffic.

Q. If, however, it should appear to be true that the major part of that traffic, and I believe you have agreed with me that the major part of that traffic is interstate, how can you say you run that train primarily for the benefit of the state traffic? Why don't you run it primarily for the benefit of the greater portion of the traffic?

A. You mean this local train?

7703 Q. Yes.

A. I have tried to make that clear. Perhaps I will not succeed any better now.

The deduction I have drawn is this: That that local train which performs a peculiar function besides hauling freight, and these functions are brought about by serving these localities. It has all these functions, it handles freight, it does switching, it is a convenience, and my conclusion is that it is more due to state than to interstate.

Now, carrying that a little further on the lines I have enumerated, those run because of state traffic, and I have attempted to make clear that I would not run them at all if it was not for the state traffic, to the extent it is run.

Now, if I handle in that train interstate and trans-state freight, it is because I have got it, and it is going, and it is going in spite of these conditions, rather than on account of them.

Q. Now, then, if these local trains were not run, then what portion

of your interstate traffic which is done upon those local trains, could not be done, could it?

A. It could wait a little while.

Q. How would you get it there if you did not have those trains?

A. The next day, perhaps.

Q. Run trains from time to time?

A. Well, as the business justified, and with a due regard, as I have always stated, to our moral obligations.

Q. How long would you have people there to receive inter-
7704 state traffic if you were dealing with them in that way? How could you minister to the needs of those people except by handling interstate as well as state traffic?

A. If the business does not justify it, that in itself is the answer. That is, if the business is not there, the public is not inconvenienced by one day's delay.

Q. As I understand your view, you treat those local runs as chargeable primarily to state traffic, and you think you ought to charge the state traffic from six to ten times as much per ton mile for the cost of the movement as you would for the interstate handled on those same trains, notwithstanding the interstate constitutes a majority of the freight?

A. Yes, sir, that is my deduction.

Q. What is the relative length of haul on the average between your state and interstate freight, handled on those local trains?

A. I could not answer that.

Q. Are your interstate hauls handled on those trains twice as long as the state hauls?

A. I should say the average was as much, probably higher than you stated.

Q. I am speaking now of the local train.

A. I am talking about the local train.

Q. Let us assume the state haul is one-half, whether it be so or not. That is, to base a purely hypothetical question on it.

Assuming the state haul is only one half the average length
7705 of the interstate haul, on these local trains, why would you charge the state haul with more than twice the cost, say?

A. It has got to come back to my original theory, that the local train is the creation of the state traffic, and from that I am compelled to draw all the balance of my deductions as to the relative cost of these two services.

Q. Your local train being in existence and in operation, leaving out of view who is the creator of it, it is there; it is there to be run. Then, assuming that the relative haul of the state freight is one half that of the interstate, would you still say it costs from six to ten times as much to move the state as the interstate?

A. On that local train?

Q. Yes, on the local train.

A. On the assumption that you have got the train running and the local handled, and the through handled there for convenience, there would not be so material a difference in the movement cost alone.

Q. The difference in that case really would be very slight. Your train is running, and you have simply got a difference in terminal expenses. Isn't that all there is, between the two classes of freight? The terminal expense spread over, say fifty miles in one case and one hundred in the other?

A. Assuming one is twice as much as the other?

Q. Yes.

A. And still assuming the local freight train only?

Q. Yes, only the local freight train.

7706 A. Yes. There would not be so severe a ratio.

Q. It would be simply that the terminal expense in one case would be spread over fifty miles, and in the other case it is spread over one hundred miles?

A. Mr. Lehmann, in order to reach any kind of a conclusion, other than just a broad one such as I have stated, you have got to know the character of that freight, you have got to know the losses that follow these certain cars, in other words, you must treat the thing from so many stand points, it must be indeterminable.

Q. Let me put a concrete case: May- you are sending a barrel of sugar, less than carloads, from Springfield, Missouri, fifty miles south, into the State of Missouri.

On the same train there is another barrel of sugar going 100 miles south beyond the first point, to a point in Arkansas. You get back from each place a case of eggs as return freight.

Tell me why it would cost any more to haul the one than the other?

A. At the cost even of being considered frivolous, I believe I will say I do not believe, I, or any other human being, can answer that question.

That barrel of sugar may fall on the brakeman when he is unloading it, and cost maybe 10,000 times as much as the case of eggs.

Q. As a matter of fact, is not the actual cost of having your train run from Springfield to the point in Arkansas 100 miles beyound, isn't your actual cost the same?

7707 A. I could not apply it to a barrel of sugar or a case of eggs to save my soul. In other words, when you get it down to so small a thing as that, you cannot consider it from all these standpoints.

In one of my explanations as to the increased cost of local, I brought in the question of hazard, and brought in the question of damage. We have moved that case of eggs a hundred miles back, and moved the barrel of sugar a hundred miles.

I will not in any way have the proportion of hazard on the barrel of sugar for one hundred miles that we do on the fifty miles.

I have loaded it at one point, but I have not unloaded it at all. It has gone to another state.

Q. But you have at some point loaded and unloaded it?

A. Yes, sir, but at some place we minimize it.

Q. We will minimize the hazard of falling on the brakeman. You would not say that the hazard was increased for any other reason——

A. Except he has handled it in one case, and not in the other.

Q. He must handle it twice in each case?

A. Yes—no, he handles it once in each case. If it is loaded at Springfield, it would be loaded by the station force.

Q. He handles it once in each case?

A. Yes.

Q. And the same handling in each case?

A. Yes.

7708 Q. The only difference is that you have more miles to spread it over in one case than in the other, and is not that the sole difference between the two?

A. No, sir, you cannot eliminate the fact that in the one case you do no accounting at all, so far as the State of Missouri, and you do no physical handling, except the mere hauling.

Q. You are bringing in the element of state and interstate, as to which I have my views.

As a matter of fact, the handling in both cases is the same, leaving out of consideration state and interstate?

A. You said the state line was there. Now you want to disregard the state line?

Q. Yes.

A. Then that case assumes this aspect: These things minimize in proportion as the haul increases.

Q. But you would charge more for the haul from Springfield to Arkansas, than you would from Springfield to the point in Missouri?

A. I have had nothing to do with the charges.

Q. You should?

A. Yes, sir, we should.

Q. And yet you would do that really because the Arkansas man was making a greater use of your road. There would be a sense in which there would be no difference in expense to you, because you must run the train from one point to the other anyway?

A. Yes, I can readily appreciate it reaches a point where

7709 there would not be any extra expense by the longer haul.

Q. And there would be the same kind of handling?

A. Yes.

Q. There would be also this possible difference of expense, and the only one which now presents itself to my mind, but you may think of others.

So far as that particular freight is concerned, the longer it is on the train, the more likely it is to be injured?

A. It may be injured, or it may injure someone else.

Q. I do not now see any other difference of expense, where the train is fixed?

A. No, sir, not where those supposed conditions exist.

Q. And in that case, you would notwithstanding, make a greater charge for the haul from Springfield to the point in Arkansas than to the point in Missouri, and your sole reason for that, or your substantial reason would be that the haul was longer, and the man in Arkansas had greater use of your property than the man in Missouri; he got a greater benefit?

A. Is the state line in there again?

Q. Eliminating the state line.

A. Yes. The theory upon that would be that he was paying for the greater amount of service.

Q. Now, why isn't it the right theory in every case, if you have what you have described, or which has been described here, as an arbitrary fixed train service, where the train must go from one point to another point, regardless of the volume of business it does, where the quality of the freight it handles is essentially the same,
7710 being goods, wares and merchandise going out, and country products coming back, where the stuff is handled in the same car or cars, and on the same train, by the same crews, having their stipulated run every day, why is not the justification, and your sole justification for a difference in charge, the difference in the benefit which is derived by the people along the line?

A. No, sir, I have not attempted any justification upon that hypothesis at all. I do not undertake to justify anything I have said on the basis of whether the public has benefited from it or not. I have attempted to treat as a physical condition, these things which I know are occurring, and which occur in spite of me.

Q. When it comes down to the actual, apportionable cost of a local train, which has ten stations from where it starts out and where it ends, and it plies between those ten stations, all way stations, and the same kind of country, so far as the actual, apportionable cost is concerned, isn't it exactly the same as to any commodity of the same kind? Your train must be made up for one package as for another. The men have to be paid as much on account of one as for the other. You cannot apportion the expense at all, and the only thing you can apportion is the benefit received by the patrons of the road. It all harks back to the same thing. I cannot consider that I am going to run that train for the benefit of all that; the other is incidental. My theory and my figures are based upon the fact that the local train is the creation of a state condition.

7711 Q. That the local train, although it might be an interstate train, is the creation of a state condition?

A. Yes, and I can handle all the local freight. I do not do it, but I can handle all the local freight incident to the state on that train.

Q. You could handle the interstate freight which is local, upon some other train, if you did not run this train. And so you are disposed to charge the expense incident to the local train to the state traffic?

A. No, sir, I have not intended to convey that meaning. I have testified that the local train as against the other, costs six to ten times as much. I have taken into consideration from every standpoint, and in the aggregate I have made it from three to five, applying and considering all the conditions you have enumerated.

Q. And as I understand it, you say it costs six to ten times as much to move interstate traffic on these local trains, as to move the state traffic on these same trains?

A. No, sir, I do not. I said I have got to consider that the train is run under certain conditions. My testimony is that, considering

the fact I do handle some interstate and trans-state even, upon local trains, and do handle the great bulk of my trans-state and interstate freight on the other train, taking all those things into consideration I have fixed these figures.

I say that the local freight train costs from six to ten times as much as the through freight train per unit of value. That is, per unit of realization, we will call it. Then I have got to take
7712 into consideration that that train has handled interstate and trans-state and state freight. Then I have got to consider that the other trains have handled interstate and trans-state and state freight; and from all that, I make the deduction which I have given you.

Q. In your practice of your company, do you charge the interstate traffic that is carried on local trains from six to ten, or even two to three times as much as you do the interstate traffic carried on through trains?

A. I have not charged it at all. I am sticking to the physical facts.

Q. You cannot apportion the volume of your interstate as between local and through?

A. In the roughest way only.

(At this point recess was taken until two o'clock P. M.)

7713 (On Friday, November 13th, 1908, after recess, the following proceedings were had:)

C. HALE, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:—

Direct examination.

By Mr. FRANK HAGERMAN:

Q. What railroad position do you occupy?

A. I am Vice-President and Traffic Manager of the M. K. & T. Railroad.

Q. And for how long a time have you occupied that position?

A. I have been in charge of the traffic for ten years. Previous to that time I was Freight Traffic Manager and Gener- Freight Agent and Assistant General Freight Agent. I have been connected with the company since 1889.

Q. And during that time in the Traffic Department of it?

A. Yes, sir.

Q. And prior to that time?

A. I was employed for about four years with what was known at the time as the Texas Traffic Association, an organization having its headquarters in Houston, Texas. Previous to that I was a clerk with the International & Great Northern Railroad Company, in Texas.

Q. Your railroad runs across the State of Missouri from East to West, and then down to the Southwest again, doesn't it?

A. Yes, sir.

7714 Q. And how many miles of road have you in the state?
A. About 530 or 540.
Q. And after you leave the state?
A. We run southwardly through the eastern part of Oklahoma to Dennison, Texas, and with a line diverging to Parsons, southwardly to Guthrie and Oklahoma City, and with a line from Oklahoma City to the southeast, connecting with the other line at Atoka.
Q. One of your lines, your main line, extends from Kansas City, through Kansas to the southwest?
A. Yes, sir.
Q. What is the eastern terminal of your road?
A. St. Louis and Hannibal.
Q. Where does your road branch off? Take Hannibal, the Parsons, Kansas line, where do you branch off and come west toward Kansas City?
A. At Kansas City Junction near Windsor, Missouri.
Q. In what county?
A. Pettus.
Q. Are you familiar with the traffic conditions and rate making, state and interstate, for the class of travel that passes in and through Missouri?
A. Generally, yes.
Q. At points of importance in the state, how is the traffic as between St. Joe and St. Louis?
A. How is it?
Q. Is that an important part of the railroad traffic in the
7715 State of Missouri?
A. Yes, sir.
Q. A very substantial part?
A. Yes, sir.
Q. How about the traffic from Kansas City, say, to Springfield, Missouri, and then to Joplin and what we call the mining district, which is made up of a group of cities down there?
A. That is also an important factor in the total traffic.
Q. I wish you would explain a little bit, wherein the respective rivers, the Missouri and the Mississippi, cut any figure as the bases for the making of rates in actual practice, and especially, how is it and why is it true, as has been alluded to by some witnesses, that as between competitive points the short line distance must prevail?
A. The rates between the Mississippi and the Missouri Rivers are fixed first with a view to equalizing conditions of movement of traffic from the principal competing commercial centers, to other centers, competitive as between themselves.
The rate from St. Louis to Kansas City, St. Joe, Atchison, and Leavenworth are alike, and St. Louis competing with Chicago.
For instance, that traffic necessitates a rate from Chicago fixed with reference to the rate from St. Louis, to enable it to compete in those markets. That difference is an arbitrary one, and represents an equalization as between the two points. That equalization,

in fact, is for the purpose of enabling shipments, say from the eastern seaboard, which may be regarded as the primary market
7716 of the city, to reach Chicago and be distributed from there to the West, as against rates from the seaboard to St. Louis, and forwarded from that city.

The rates from the east are fixed to Chicago, Hannibal and St. Louis, and other Mississippi river crossings.

So that a rate from New York to Kansas City is the same, whether it moves through St. Louis, Hannibal, Quincy or Chicago, or any of the Mississippi river crossings, north of Quincy.

Q. And the Missouri part of that rate would be measured would it, by the shortest line across the state?

A. Yes sir.

Q. Which in that case would be the Burlington, from Kansas City to Hannibal, 199 miles?

A. Hannibal to St. Joe which is 196 miles.

Q. Take another illustration which comes to my mind, speaking of Chicago and the eastern rate. Take a road like the Burlington, the Alton or the Santa Fe, in the neighborhood of 480 miles from Kansas City, and the Great Western, practically 580 miles. Which would have the longer haul?

A. The Great Western is longer considerably.

Q. What are two of the greatest trunk lines in the state, so far as business is concerned?

A. I should say the Burlington and probably the Missouri Pacific.

7717 Q. I believe you said that as far as the business in the state, between St. Louis and St. Joe, upon those two great trunk lines, it would be a very considerable portion of the business?

A. Yes sir.

Q. The Burlington between those points is all within the state, isn't it?

A. Yes sir.

Q. The Missouri Pacific runs where?

A. Runs through a small portion of Kansas.

Q. That is to say in starting from St. Louis to St. Joe, it goes out into Kansas and back into Missouri?

A. Yes.

Q. So it becomes an interstate journey on the Missouri Pacific on account of the location of the road?

A. Yes sir.

Q. Now take a mileage rate as fixed by either the maximum freight or passenger law, which we are contesting here, the
7718 law measuring it by the mileage, so much per mile, or so many other miles—supposing a rate should be fixed by the State Legislature, lowering the rate in use so it would bind the Burlington Railroad, what would be the result upon the traffic from St. Louis to St. Joe on the Missouri Pacific?

A. The rate would necessarily be reduced to the same extent on the Missouri Pacific.

Q. If there was a substantial reduction, what would be the result, if the Missouri Pacific did not reduce its rate?

A. The Missouri Pacific could not engage in that traffic.

Q. Let me ask you for another illustration.

The Chicago Great Western is a trunk line, more particularly to Kansas City from St. Paul and Minneapolis, but also from Chicago to Kansas City, and that road leaves St. Joe and comes down, partly running through Kansas, and getting back again into Missouri, doesn't it?

A. Yes, sir.

Q. And the Burlington, has a direct line as has the Grand Island from St. Joe to Kansas City?

A. Through Missouri.

Q. Through Missouri mostly?

A. Yes, sir.

Q. In the case of the Burlington and the Grand Island, it is all state business, and so far as the Chicago Great Western is concerned, it is interstate?

A. Yes.

Q. Kansas City and St. Joe, are those cities very large
7719 and important centers in the state?

A. Yes, sir, there is a large traffic between the two.

Q. St. Louis and Kansas City from a traffic standpoint are great centers?

A. Yes, sir.

Q. But next to them, what comes?

A. I should say St. Joe.

Q. Is the same thing true there, that if the State Legislature should pass a maximum freight rate along the line of the bill in question here, or a maximum passenger rate, that the roads doing the state business, like the Burlington and the Grand Island would have to put it in force, then what would be the result from a railroad standpoint, of that proposition?

A. They would be either forced to meet the rate, or forced out of business. It is the same with the M. K. & T.——

Q. I am coming down south of the river.

Now, let us get to the other centers of business. You say next to St. Louis and Kansas City comes St. Joe, as a matter of importance in the traffic of the state.

Next to St. Joe, is there anything as great in the way of railroad traffic in the state, as down at Springfield, and what we call the Joplin mining district?

A. I think that traffic is heavier, much larger.

Q. Even larger than St. Joe and Kansas City traffic?

A. No, sir, I don't think so.

Q. You think that would come next to St. Joe in importance?

A. Yes, sir.

7720 Q. The Frisco, take the Kansas City, Ft. Scott & Memphis portion of the Frisco System, that starts at Kansas City, Missouri, goes out through Kansas and comes back into Missouri, doesn't it, in reaching those points?

A. Yes, sir.

Q. You are quite familiar with that because your own road has some trackage rights over it, hasn't it?

A. Yes.

Q. The Kansas City Southern, do you know how that runs in reaching that mining district?

A. That is similar.

Q. It goes out into Kansas, and then comes back into Missouri?

A. Yes.

Q. So as to those two roads, it is interstate business between Kansas City and those points?

A. Yes, sir.

Q. Where does your road operate in the same way, as to any of your traffic?

A. We have a line running from Kansas City through Kansas to Parsons, and from Parsons eastwardly to Columbus, Kansas, and then further east to Joplin, through Missouri.

Q. So you reach the Joplin district as between Kansas City and the mining district by an interstate journey?

A. Yes.

Mr. LADD: We wish to note an objection to this testimony, simply that Your Honor may know the position we take about it,
7721 because it may have the result to reduce interstate rates, any rate put in force by our Legislature cannot be considered here as a matter of law. If the railroad companies choose, from considerations of convenience, or in view of competitive conditions, to reduce their interstate rate, because the state has fixed rates, that is a matter with which we have nothing to do.

Mr. HAGERMAN: What we say about it is, that if a state rate directly affects interstate commerce, then the state rate must fall, and the object of the proof is to prove that it does directly affect it, and necessarily so.

Mr. LEHMANN: You mean it must fall, regardless of its reasonableness?

Mr. HAGERMANN: Yes, regardless of all other things, if it affects interstate commerce.

The COURT: I suppose what Mr. Hagerman is directing evidence to is the opinion delivered in a certain case, where the writer suggested it, but said it was not passed on. I suppose it is akin to that.

Mr. HAGERMAN: Yes, but he said that in his view of the case it was not necessary to pass on it.

The COURT: In common street parlance it would be that it could not be sneered at.

Mr. HAGERMAN: That it was not frivolous.

Mr. LADD: I am not objecting because it is frivolous.

Mr. HAGERMAN: That is the point we are directing it to.

Mr. LADD: We think it has been decided.

The COURT: And that the writer of the opinion did not
7722 know it?

Mr. LADD: I don't know what the writer of the opinion knew.

The COURT: I am not saying whether there is anything in the question or not. I don't know.

Mr. LADD: I am simply calling attention to it now.

The COURT: You may rest assured that I have not any preconceived notions on that question. Therefore, I am peculiarly fitted to hear this case.

Mr. HAGERMAN: I want to call your attention to the immediate question we are directing it to.

In the Minnesota case, it was a general thing; in no case can any state rate be fixed that does not affect interstate rates, but in Missouri, of all places on the face of the earth, it cannot be done, because of the position of these roads.

Mr. LEHMANN: The position of Missouri is such that it has no state rights?

Mr. LADD: The right of the State Legislature to fix state rates cannot be limited by such considerations as that.

The COURT: I see the importance of the question.

Mr. HAGERMAN: You at least see it is not frivolous?

The COURT: There is no doubt but that it is a very grave question.

Mr. HAGERMAN:

Q. You described your road and the Kansas City Southern and the Frisco where, as between Kansas City and the mining district, and particularly Springfield, it is an interstate journey.

Now, take the Missouri Pacific road going down there. That
7723 is an active competitor for that business, isn't it?

A. Yes, sir, it is a direct line through that section.

Q. And that runs all through the State of Missouri?

A. Yes, sir.

Q. So you have all state traffic there?

A. Yes, sir.

Q. I may assume that in these cases, like the illustration we gave at St. Joe, between the Burlington and the Missouri Pacific, these are what are known in railroad circles as first class roads, operated as uptodate railroads?

A. Yes, sir.

Q. Are the observations you made as to the St. Joe situation true as to the situation in this district?

A. The cases are parallel.

Q. So as a practical railroad proposition, whenever one of these laws would fix a rate that the Missouri Pacific would have to charge to that territory, these other carriers making the interstate journey would have to make the same charge or go out of the business?

A. Yes.

Q. I want to go a step further, now, with the proof, because we have been dealing with the situation created by the rest of these lines

of railroad, and the geographical situation of these states. But now I want to take it upon a broader plane.

Take a state like Missouri, in the center of the Union, is it possible, in your judgment, for any state rate law to be fixed practically upon a mileage basis, as these laws in question here are fixed,
7724 without directly affecting the interstate rate?

Give your reason for any opinion you may have.

Mr. LEHMANN: I object to that. I do not see how a comprehensive question like that, asking a witness to dispose of the authority of the state entirely, can be answered. I do not think that is within the scope of legitimate inquiry. It calls certainly not for facts, for one thing.

Mr. HAGERMAN: I want him to give the facts in explanation of it.

Mr. LEHMAN: It calls for mere opinion.

The COURT: I am not going to rule on that question. Of course he is giving an opinion on not only the law and the facts, but the Constitution.

A. Any mileage rate fixed by the State of Missouri, or in the State of Missouri, necessarily affects practically all rates on business having origin or destination in Missouri, and interstate in its character.

Q. How and why?

A. The rates into St. Louis from the east are based upon the rates from the east to the Mississippi River, and thence to destination in the state; so that obviously a reduction in either one of those factors would reduce the total.

On business originating in Missouri and going either east of the Mississippi River or west of the Missouri River, the basis is the combination in the one case on the Mississippi and in the other on the Missouri River.

So it would be equally obvious that the reduction in the
7725 rate to the Mississippi or the Missouri River, would reduce the through rate to the extent that the local rate has been lessened.

Q. Would that be true to take what has been called trans-state traffic into consideration?

A. The trans-state business, I was just going to add, is affected in the same manner. The rate to points in Kansas, to points in Colorado, Utah and a great many points in the northwest, are based on the rate to and from the Missouri River, the rate to the Missouri River in the first place being governed by the rate to and from the Mississippi River; and the rate west of the Missouri River by the rate from the Mississippi to the Missouri River, and added to the charges made.

Q. Missouri is somewhat peculiarly situated as to these great trunk lines. Take a line like the Union Pacific, which is one of the great trunk lines of the country, we may say, can't we?

A. Yes, sir.

Q. That terminates at Missouri River points?

A. What is that question?

Q. These great trunk lines, like the Union Pacific, going from the west with all its feeders in the west, terminate at the Missouri River?

A. Yes, sir.

Q. And coming in are the great roads like the Chicago, Milwaukee, and the Alton, which are also great trunk lines?

A. Yes.

7726 Q. And the Chicago & Great Western and the Wabash also?

A. Yes.

Q. There are other lines, like the Burlington and the Rock Island and the Santa Fe and the Missouri Pacific, which are, so far as concerns Missouri, practically trans-Missouri lines. Those come from the west and cross the state, with the exception of the Missouri Pacific, going beyond the boundaries of Missouri?

A. Yes, sir.

Q. What is the practical result, then, in the practical operation of the road, located as the state of Missouri is, right in the center, where its western border is reached by the great trunk lines from the west and from the east, interspersed by these great trunk lines running, you might say, from ocean to ocean—at least to Chicago, and with connections east—what is the effect in practical operation, when one of these state laws is made and put in force across the State of Missouri, as to the interstate roads complying with that, or getting out of business?

A. They are necessarily compelled to meet the situation of any road—I don't know that I get the drift of your question precisely, but I will say, and you can then determine whether I have answered it, that a road like the Missouri Pacific, with its own rails from St. Louis through Missouri, crossing the Missouri River and extending into Kansas, Nebraska and Colorado, is compelled to fix its rates from St. Louis to these points west of the Missouri River, with the rate that is fixed for it by lawful authority within the State of Missouri,

7727 and that any rate so fixed in the state, directly affects and controls its rate beyond.

Now, having that situation, a railroad, for instance, like the Chicago & Northwestern, running from Chicago, and connecting say with the Union Pacific, extending into common territory, must as a commercial necessity adjust its rates over that route with direct reference to the rate established by the Missouri Pacific from St. Louis.

St. Louis and Chicago being directly in competition for the trade of that entire section.

Q. So there is a situation where a rate would be directly affected, although it was on the line not running into the State of Missouri at all?

A. Yes.

Q. Now, let us take a real plain case that we can understand, as applied locally to the situation here.

An industry or a person out in Colorado, upon the Union Pacific road, the traffic or the person destined to St. Louis by the Union Pacific, when it gets to Kansas City there are a half dozen different lines

running to St. Louis. It can take any one. We will take the Alton because it terminates at the Mississippi River.

The Missouri Pacific Railroad has its own rails all the way there. Suppose a substantial reduction under laws of this character were made on the Missouri part of that rate, lessening the rate
7728 made up by the Union Pacific and the Alton combined, from Denver to St. Louis, would the Missouri Pacific, as a practical railroad question, get any traffic of that kind unless it made likewise a reduction on its rate?

A. You mean the Chicago & Alton?

Q. Yes.

A. No, sir, it would not.

Q. Have you had occasion to examine the article written by Mr. Robert Mather, of the Rock Island, upon this question?

A. Yes, sir, I have a copy of it.

Q. It appears in the Railroad Gazette of April 7, 1908?

A. I have a pamphlet here containing that address. I suppose it is the same thing.

Q. There are a great many expert opinions ventured in that by Mr. Mather, and I would like for you to tell me, without the trouble of taking up, each one of them, whether you as a railroad man are willing to adopt those as your own?

A. Yes, sir, I am.

Mr. LEHMANN: I object to that. I don't think you can bring in a pamphlet in that general way. If it is a part of the general railroad literature, which commends itself, that could be put in.

Mr. HAGERMAN: I could take him through it, step by step.

Q. You are familiar with the opinions herein expressed?

A. Yes, sir.

Q. Are you willing, without going through this line by line, and repeating each one of these opinions to you in the form of a
7729 question, and asking you whether you would adopt them, would you adopt that article as an expression of your own views?

A. Yes, sir, I would.

Mr. HAGERMAN: We offer that article in evidence, as a part of the testimony of this witness.

Mr. LEHMANN: We object to that.

The COURT: The pamphlet will be received, subject to the objection.

(The paper referred to is marked "Complainant's Exhibit 4".)

(Complainant's Exhibit 4 is in words and figures as follows, to-wit:)

Complainant's Exhibit 4.

7730 Q. These observations you have made are applicable to both freight and passenger traffic?

A. Yes, sir.

Q. What was the practical experience when the two-cent state fare was put in force in Missouri, as to the necessity for the railroad

companies putting in a two-cent interstate fare, and what were the reasons?

A. It became apparent, immediately after the two cent rate locally in Missouri was created, that we would have to make reductions in interstate rates, based upon that factor again, just as in the freight.

It was particularly made apparent that this necessity existed from the fact that a passenger making an interstate journey from a point in Missouri or to a point in Missouri would buy a ticket or pay his fare to a border point, and re-buy there to his destination.

The effect was either to make a reduction in the interstate rate, or cause every passenger so moving an inconvenience, and place us in the position of appearing to be taking retaliatory action against the state, and against the convenience of these people.

Q. Practically every passenger would become a state passenger, as distinguished from interstate?

A. To that extent he would become a state passenger.

Q. Let me get a concrete illustration of that kind of a case: What distance is it on the Rock Island Railroad from St. Louis to Topeka, Kansas—200-odd miles, isn't it?

7731 A. I don't remember.

Q. In the neighborhood of 280 miles to Kansas City, or something like that, isn't it?

A. Yes, sir.

Q. And 60-odd miles on to Topeka?

A. Yes, sir.

Q. What you mean is that when the two-cent state rate went into effect, leaving the interstate rate as it was before, the passenger would buy his ticket or pay his fare to Kansas City, which would be a state journey, and then he would get off and pay at the interstate rate on to Topeka?

A. Yes, sir.

Q. Or, if he could buy at the state rate, he would buy his ticket at that rate?

A. The interstate rate became effective when the two cent rate was introduced.

Q. It became a practical necessity to reduce it to meet that rate?

A. Yes, sir.

Q. Take the case of the man starting from Topeka, Kansas, going to St. Louis via Kansas City: He would pay his fare at the interstate rate down to Kansas City, and there buy a state ticket down from Kansas City to St. Louis?

A. Yes, sir, and it had this further effect; this may be an illustration of it: Take the effect of the rates on the M. K. & T. Railroad in Oklahoma.

Q. How?

7732 A. The Frisco road runs through Missouri to Seneca, I think it is.

Q. That is the state line point?

A. That is the line between Missouri and Oklahoma. From Seneca to Vinita, where the Frisco and the M. K. & T. intersect, is comparatively a short distance; I do not remember the mileage,

but the traveler going from St. Louis to Vinita could buy a ticket to Seneca, and then buy a ticket from Seneca to Vinita, and gain largely over the previously established interstate rate from St. Louis to Vinita over our line.

Not only that, but he could re-buy again from Vinita to the surrounding local points on the M. K. & T. Railroad.

Q. Assuming now that the interstate had practically a three cent rate at that time, he could buy a state ticket down to Seneca?

A. Yes.

Q. And then buy an interstate ticket from Seneca to Vinita?

A. Yes, sir.

Q. And then get his state rate again as far as he was going in that particular state?

A. Yes, sir, as far as that would carry him, as against the through rate.

Q. So if they had a three cent interstate rate and a two cent state rate, through Oklahoma and Missouri, by paying the interstate rate of three, four or five cents, he could ride hundreds of miles on the basis of the state rate?

7733 A. Yes, sir.

Q. What was the result on the M. K. & T.?

A. The M. K. & T., as soon as it was practicable, made a reduction in its interstate rate, to retain that traffic to these stations which it had previously handled.

Q. Why did the M. K. & T. have to do that?

A. It had to because the State of Missouri reduced the maximum rate within the state from three to two cents per mile.

Q. And in order to meet that and get that business, you had to make that reduction?

A. We had to in order to equalize that situation.

Q. You did not reach Missouri for long distances?

A. Our line is probably over 100 miles north of that; I think considerably over, but I do not remember exactly.

7734 Cross-examination by Mr. LEHMANN:

Q. The principles of which you have spoken as affecting the conditions of state and interstate traffic and transportation have been operative from the very beginning of the railroad system of this country, haven't they.

A. I think so.

Q. In other words, they are not conditions created by law but result rather from the locations of the railroads themselves with respect to each other. They are consequences, inevitable consequences of the location of the roads, aren't they?

A. And competition between communities, yes sir.

Q. Competition is one of the consequences of the kind of location you have described, isn't it?

Freight passing from New York City to Kansas City, you say it takes the same rate whatever may be the line or route over which it comes?

A. By rail, yes.

Q. I mean by rail, certainly.
A. Yes.
Q. How many different lines or routes are there between New York and Kansas City?
A. Oh, there are a great many combinations of routes. I do not believe I could count them. I do not know them all really.
Mr. HAGERMAN: What do you mean by that?
A. A shipment may start from New York over the New York Central and go by various lines from Buffalo to the Mississippi River.
Q. By one line or parts of several lines?
A. Yes sir.

Mr. LEHMANN:

Q. Many of your so-called fast freight lines, like the Lackawanna, are simply what might be called for the routing of freight,
7735 different railroads being selected, or portions of different railroads being selected, in order to make up a through line: That is a fact, isn't it?
A. Yes sir.
Q. Is there any one line or route in use which from New York City to Kansas City, throughout, is the shortest line through each and every of the states that are traversed?
A. You ask, I believe, if there is one line or one route which is the shortest through each state?
Q. Yes.
A. I don't know.
Q. It is improbable that there is any such line or route as that, isn't it?
A. I do not know of any. In fact I have never examined the map with reference to that fact.

Mr. HAGERMAN: You would not mean by that question, going through certain cities. There would be no difficulty about defining a line coming from New York to Chicago or St. Louis. But I understand your question is a railroad as distinguished between different lines.

Mr. LEHMANN: My question is, do you know of any route which freight takes from New York to Kansas City which throughout its course is the shortest line through each and every state traversed?
A. I do not know of any such line. There may be one but I do not know it.
Q. I understood you to say that the portion of the through rate which would be allowed to any state, as to Missouri, would be determined by the shortest distance across that state. As for example, Missouri, from Hannibal on the Mississippi River to Kansas
7736 City and St. Joe on the Missouri River, those distances being about the same: Is that a fact?
A. Yes sir. It is a fact for this reason: That the rates from the East to these points on the Mississippi River applying on business going to Kansas City are the same. Therefore, the shortest line between the Mississippi and the Missouri Rivers added to the rates

from the East to the Missouri River, makes the through rate from the East to Kansas City.

Q. Would the shortest line across the state of Illinois determine the portion of the through rate to be allotted to the Illinois line?

A. No sir, I do not think it would. The rates there are differently made. They have no point in Illinois, save Chicago perhaps, or some of the interior points, like, say, Peoria, which are used, as we term them, as basing points, used to make rates to and from a given territory.

Now all the rates to the points west of the Missouri River are based or made upon the rates to and from the Mississippi River crossing.

Q. Is that the only place in Missouri that you call basing points, that are coincident with state lines?

A. No sir, take the state of Texas, the rates from the east to points in that state are made by the rates of the steamship lines to the Texas ports, added to the rates established by the Texas Railroad Commission to points in that state.

There are other sections where the same principle applies. And they probably, though I am not very familiar with that, but
7737 I am quite sure I am correct in saying that to a great many points in Colorado the rates are made by adding to the rate to Denver and Colorado Springs and points beyond.

Q. In other words, these through rates are made up by adding the locals together?

A. In many cases. That is not the case in making the rate from New York to Chicago and the Mississippi River.

Q. Nor is it the case in making the rate from Kansas City to St. Joe or Omaha?

A. Yes sir the rate from New York to Kansas City, St. Joe and Omaha is based on the rate from New York to the Mississippi River.

The COURT: Plus the rate from the Mississippi River east: Is that right?

A. Yes sir.

Mr. LEHMANN:

Q. And who makes the rate from the Mississippi River to the Missouri River?

A. The railroads and the state of Missouri.

Q. Can you recall a time, and can you recall a tariff by any railroad in this country which made the rate from New York to Kansas City or St. Joe or Omaha as high as the sum of the state rates?

A. All the way through.

Q. Yes.

A. No sir.

Q. That thing never existed did it?

A. I don't know.

Q. Not to your knowledge?

A. I say I don't recall any.

7738 Q. Not to your knowledge?

A. No sir not to my knowledge.

Q. A long haul of that kind, or indeed a haul of any kind, has always been relatively larger than a short haul and the rate has

been lower than a combination of the rates of the short hauls making up that long haul, hasn't it?

A. Frequently.

Q. Hasn't it always been so, so far as you know?

A. No sir, as I say, in the case of rates passing the Mississippi River and the points on the Missouri River.

I think probably a good many rates are made in the northwest on combinations of certain central basing points.

Q. Take it five years ago, let us get back of the laws in question here—was not the rate charged by the railroad companies of Missouri doing business between the Mississippi River and the Missouri River, higher on business originating at the Mississippi River and terminating at the Missouri River, whatever the railroads may have been, the Burlington or any other, higher than some road charged for freight which originated in New York and was received by the road at the Mississippi River and transported across the state?

A. I do not recall any such instance.

Q. Have you any tariff?

A. I answered that, Mr. Lehmann, technically, and I may have misled you.

You asked me, on freight originating at New York: Now there has been at different times in the past rates made from New York on European imports to Kansas City, which in some instances
7739 were less than the rate from St. Louis to Kansas City. I do not know whether that was what you had in mind or not. But that is the only case I can recall.

Q. Suppose I wanted to ship a carload of sugar from Hannibal to St. Joe, would the rate charged me by the Missouri Railroad, that would be the Hannibal and St. Joe there, be the same as the portion of the rate it was getting at the same time on a carload of sugar that was shipped from New York to Kansas City?

A. I think so. Although I may be wrong in that. There is a peculiar situation with reference to the movement of sugar in that the Atlantic Seaboard and the Southern points of production are non-competitive for that business. And it may be, I do not remember, but it may be that there are through rates established from Florida and New York on sugar which are less than the full combination of locals.

Q. Suppose that we are shipping wheat from Kansas City to New York and then ship wheat from Kansas City to Hannibal, would the proportion of the rate for Missouri on the shipment to New York be as high as the rate on the wheat from Kansas City to Hannibal?

A. No sir, there is a proportional rate on wheat, on grain, established in order to preserve an equality through various routes for the movement of grain for export.

The rates from Kansas City and to the south, to the Gulf ports, are adjusted with reference to each other, and it has been necessary in order to permit the lines handling business from the Mis-
7740 sissippi River to New York, Boston, Montreal, who engage in the business, to make a lower rate than the local rate used for domestic consumption.

—. The utmost possible maximum of a rate between two distant points would be the sum of the local rates of the various local rates between those points. It could not possibly be more than that?

A. Not practically.

Q. I am using "possible" in the sense of "practical": In other words, if there were four different railroads between here and New York, if I shipped or travel locally over each line and buy my loval ticket or pay the local rate, I am pretty sure to have paid the top price for either traveling or shipping, am I not?

A. Yes sir.

Q. As a matter of practical usage has not the single rate, where I either bought a ticket through or ship it through, on a through bill of lading, or whatever you call it, as a practical matter has not that through rate always been less than the sum of the locals?

A. If you mean to subdivide rates into all possible locals, and there are three or more locals that may be used, I should say yes. If there are two locals only entering into the rate I would say no.

Q. Well, Mr. Hale, it appears I think in the evidence that has been taken here, that the average of rates for purely state shipments in Missouri is twice as high, practically as the average of rates for interstate shipments:

7741 Now, if that is so, or if it is approximately so, does it not indicate that the interstate or through rate must be more than the sum of the locals?

A. They frequently are. As I understood you, you asked me if they were not always so.

Q. Aren't they nearly always so, in the main?

A. Generally, I think so. There are a great many rates that are less than the combination of the locals.

Q. That, again, results from the natural operation of business, doesn't it, the tendency to make the through rate less than the sum of the locals: Don't you think that is the natural tendency?

A. Yes sir.

Q. And it comes about quite as naturally as the fact that the short line between two points determines the rate between those points?

A. Yes sir.

Q. Now if that is true, if the rate is fixed by the various states through which a shipment passes, say the different states between here and New York, and each one of the states makes a rate for its own territory, that is reasonable for travel or transportation through that territory, the through rate when made up of the sum of those local rates will be a remunerative rate, will it not, necessarily?

A. I should say it would altogether depend on the volume of the rate.

Q. I do not want to be hypercritical, but the reasonableness of the rate has something to do with it?

A. I should say that the reasonableness of the rates estab-

7742 lished by each state would be reasonable for transportation made by the conbination of them, each being reasonable in itself.

Q. And if each state fixed a reasonable rate governing the transportation of traffic in its own territory, it would be almost certain that the through rate for traffic or transportation between those two states would be less than the sum of the rates thus fixed by the states, wouldn't it?

A. I think it is probable it would be. As I say, however, that would depend very largely upon what the volume of the rates were. I assume that the rate would be less than these several locals, and there might be quite a number of them between the Mississippi River and New York, and that would make a rate that would of itself be possibly prohibitive to commerce.

Q. That is, if you made it up of the sum of the locals?

A. Yes, using each local as a factor.

Q. And therefore you would reduce them?

A. Yes, to meet the necessities of the trade.

Q. And that reduction would come about not because the state had fixed reasonable or remunerative rate, but because you took advantage of it for each state through which it had passed you would be charging the man more than your competitor would be charging?

A. Yes sir.

Q. These competitive conditions would bring down the rate in that case below the sum of the locals?

7743 A. Not competition between the roads but competition of some character, either competition of some character or the fact that these combinations would produce a rate which would be a barrier to the free movement of commerce.

Q. The short line you say fixes the rate: On what principle does it fix the rate?

A. In the fact, you mean in Missouri or generally?

I say the short line fixes the rate in the state of Missouri because there is a mileage scale of rates in the state, which applied to the shortest line between the Mississippi and Missouri Rivers, fixes, as I explained before, the rates which are obtainable between any other two points, one on the Missouri and the other on the Mississippi River.

Q. If it be true that the schedule of rates fixed by the law of the state of Missouri is about twice as high as the distance rates that the companies get, on the interstate traffic that passes through the state of Missouri, isn't it obvious that these interstate rates are fixed without reference to the distance tariff prescribed by the Legislature of Missouri?

A. No sir I don't think that follows. You take the M. K. & T. Railroad, for instance, it handles interstate traffic from St. Louis practically to the entire west. Its earnings in Missouri, largely are dependent upon the destination.

A shipment taking the same rate, the two different points of destination may yield the M. K. & T. in Missouri twice as much in one case as it does in the other, or three times as much. Yet

7744 the volume of the through rate from the point of origin to both destinations is the same.

I will illustrate that: On a shipment from St. Louis to San Francisco that business is—I will take another illustration.

Take a shipment going in one case to San Antonio, Texas and in the other case to Corpus Christi, Texas, the through rate is the same. But the M. K. & T. in the San Antonio case makes delivery over its own line at destination. But on the shipment to Corpus Christi it gives it to a connection. It receives materially less on the Corpus Christi shipment than it does on the San Antonio shipment. Yet the service may be precisely the same—that is, the service rendered by the M. K. & T. would be the same, but the fact that the shipment goes in one case to a connecting line, it receives in some cases as much as thirty-five to fifty-five per cent of the rate, which serves to decrease the Missouri earnings on that business.

So I hardly see how you can draw a conclusion as to the volume of *of* rates from the earnings derived by the Missouri line on interstate traffic. The earnings vary according to destination and according to conditions under which the shipment is delivered at destination.

Q. If the Missouri law would permit you to get two dollars for a certain service, so far as the state of Missouri is concerned, and yet you performed that service through the state of Missouri
7745 and in connection with service in another state, and only charged one dollar for the Missouri part of the service in an interstate shipment, how would the law of Missouri which permitted you to charge two dollars, affect the rate you made, when you did not come up to more than fifty per cent of your authority under the Missouri law?

A. I might multiply illustrations but I do not know that I would answer your question as you think it should be.

Take the rate from St. Louis to Topeka, Kansas. The rate is made by a combination of the rate from St. Louis to Kansas City and I think the local rate of the Union Pacific or Rock Island to Topeka.

Now the M. K. & T. in carrying that shipment through to destination would handle it over its line from St. Louis through Missouri leaving the state at a station called Eve, then running down to Parsons and from Parsons to Junction City where it would deliver it to the Union Pacific. The Union Pacific would get for its haul from Junction City to Topeka, practically the same that it would receive if the shipment had been delivered to it at Kansas City.

So that for an amount equivalent to the rate from St. Louis to Kansas City, the short line distance of say two hundred and seventy-seven miles, the M. K. & T. would haul that shipment an interstate distance of approximately six hundred miles.

The revenue on that in the state of Missouri I presume would be derived on a mileage proportion, so that you would have practically only one half of the revenue in Missouri on the interstate
7746 shipment that would accrue to it if the shipment had destination at the terminus of the basing line.

Q. Have you given an illustration that at all occurred in practice?

A. Oh, yes, frequently. We are in direct competition for that business and handle it.

Q. That is what I wanted to know. If it was a concrete case, and then I wanted to follow it a little?

A. Yes sir, it is.

Q. You say there is about six hundred miles of that haul over the M. K. & T.?

A. I will give it to you precisely in a moment. I have it right here (examining memorandum). The Missouri haul on that shipment would be three hundred and thirty one miles. The total M. K. & T. haul would be five hundred and forty three miles.

Q. The total?

A. Yes.

The COURT: What would be the haul of the Union Pacific?

A. Less than I think twenty five or thirty miles. Not more than thirty miles.

Mr. LEHMANN: Q. That will serve my purpose.

Mr. LADD: Is that from Junction City to Topeka?

A. Yes.

Q. Oh, it is about two hundred miles from Topeka to Junction City.

Mr. LEHMANN: Make a fair suggestion as to what that distance is, because I want to follow it up.

7747 A. Suppose we take it at Manhattan.

Q. I would rather take this one.

Mr. EVANS: It is fifty four miles from Junction City to Topeka.

Mr. LEHMANN:

Q. Now how far is it over the Missouri Pacific from St. Louis to Kansas City?

A. I think two hundred and eighty seven miles.

Q. How far is it from Kansas City to Topeka over the Union Pacific?

A. About sixty miles.

The COURT: Sixty miles in round numbers has been testified to.

Mr. EVANS: It is one hundred and forty one miles from Junction City to Kansas City.

Q. It is about eighty miles from Junction City to Topeka.

Mr. LEHMANN:

Q. Now, as I have it, the total M. K. & T. haul being five hundred and forty three miles and the Union Pacific haul being eighty miles, makes that route six hundred and twenty three miles. Then by the Missouri Pacific and Union Pacific two hundred and eighty seven and sixty miles, makes three hundred and forty seven miles, not much more than one-half as long.

Now you engage in competition between those points?

A. Yes sir we engage in business between any points we can reach, where the business can be handled ordinarily in our regular trains.

7748 Now I mentioned that as an extreme case. It is. To illustrate and answer your question as to the relative difference between interstate earnings or the earnings on interstate rates and the earnings on Missouri business:

That is only one case of thousands of others where the Missouri earnings on the interstate business vary accordinng to the destination and the contract or the bargain we can make with the line to whom we deliver goods for delivery at destination.

Q. The Union Pacific I suppose gets just as *much* high a proportion from you as it would get from the Missouri Pacific?

A. We have never been able to get them to take any less.

Q. I rather presume that from what appeared on the surface, that they had to haul it further, taking it from you.

A. I said they would demand the same from Kansas City. I made that statement as a generality, believing that Topeka was nearer Junction City than to Kansas City. I may be mistaken as to just what division would be correct there. I made that simply in the way of illustration.

Q. If you carried all your freight upon that basis, as you would a shipment of that kind, it would hardly be profitable, would it?

A. No sir.

Q. And the reason you carried it there is because you have trains running there anyway: Isn't that it?

A. We have a train running from Parsons to Junction City.

Q. And you might say from St. Louis to Junction City.

A. Yes. We have a regular service.

7749 Q. Between those two, and having it anyway you take this along and by taking it along you make more money than you would if you were to overlook it altogether?

A. Of course.

Q. So in a way that train is profitable?

A. Yes sir.

Q. You would not like to reduce it all to that average I take it?

A. No sir.

Q. And you are not discriminating against other freight you haul in that train, because you would have to really charge more upon the other freight to obtain a fair remuneration than you would if you omitted this altogether?

A. That might be possible.

Q. Having the service and running a train anyway enables you to take this business under these rather adverse conditions, six hundred and twenty-three against three hundred and forty-seven miles makes conditions a little adverse?

A. Yes sir.

Q. You think a good deal of the low returns that is apparently had from the interstate rate, that is done in the state of Missouri, is due to conditions that are more or less like those you have just described—I do not mean precisely like it but somewhat like it?

A. I think that has a very large effect on it. I would not undertake to account, Mr. Lehmann, for it. I did not know that condition prevailed.

Q. That is, that there was that relation?

7750 A. No sir. I never worked out anything along that line and I did not know it until you told me, that it would.

Q. That I think has been shown, that the average ton mile rate, not precisely but pretty substantially twice as much for a ton mile in Missouri on local rates as on interstate rates. That is the summing up of it on that basis.

Your passenger rates, so far as you know, have practically always been fixed on a mileage basis modified by the competition of the short line?

A. Practically. Not exactly but very nearly.

Q. That has been true, speaking as a matter of history and in your personal experience, since the railroad business has started in this country?

A. Yes sir.

The COURT:

Q. The short line from Kansas City to Hannibal is one hundred and ninety seven miles and one hundred miles more to St. Louis: Do you mean the rate is the same from Kansas City to St. Louis as from St. Joe to Hannibal?

A. No sir.

Mr. LEHMANN: What I meant in my question, as the witness understood, was that this rate was modified by the short line between the same points? Is that right?

A. Yes sir.

Q. That is the different- from the basing point. The basing point does not figure much does it?

A. No sir.

Mr. HAGERMAN: That would give the same figure between Chicago and New York?

A. Yes sir.

7751 The COURT: Kansas City and St. Louis?

A. You are speaking now of the rates between St. Louis and Kansas City being based on the shortest line between St. Louis and Kansas City, and applied equally by the different roads running between these points.

Mr. HAGERMAN:

Q. If you have traffic moving beyond the Mississippi River then your Hannibal rate would govern.

The COURT: I am speaking about the four roads between Kansas City and St. Louis?

A. The rate by all of them is the same.

Q. And that is the rate of the short line?

A. Yes sir.

Mr. LEHMANN:

Q. What I mean to bring out is that it has been the sense, and the universal usage, of those in charge of railroads to prescribe a

mileage rate for passenger travel where it was open to them to do so, where they were not constrained by conditions?

A. Yes.

Q. And that was true universally when the railroads were so widely scattered that they were not in competition with each other?

A. Yes sir.

Q. Although that has been modified to this extent, and perhaps regardless of competition, that where the travel has been a very long one there has been some concession of that, regardless of competition?

A. The arbitrary has been fixed.

Q. Competition enters and modifies it further by the fact that there being two lines between two places, the short line fixes
7752 the rate between those places and the longer line must conform to that rate?

A. Yes sir.

Q. That does not apply, however, in a case for example or does it in the case of passenger transportation say from Kansas City to New York, which may go either by way of Chicago or St. Louis?

A. Yes sir the rates are equalized.

Q. And this is no more one way than the other?

A. No sir.

Q. There must of course be an agreement between the companies as to the apportionment of rates between them?

A. Yes sir.

Q. Has not the Missouri portion of the rate between Kansas City and New York for passenger travel always been, or at least for years, less than two cents per mile over the state of Missouri?

A. Less than two cents?

Q. Yes on the Missouri portion of the rate?

A. I cannot answer you that. I do not know just what that division is. It may be. I don't know but my impression is it was not.

Q. I think some of the exhibits here, or possibly I have in mind reports of the railroad companies, show that prior to the two cent law being enacted the average rate on a road like the Alton, per mile, for its travel in Missouri was a little less than two cents. Is not that due primarily to the lower rate on its long interstate haul?

7753 A. No sir I do not think so at all. You mean on its New York business?

Q. Or similar business?

A. I think it is very largely due to the fact that they do a great deal of long haul business, which could not be carried perhaps at the full rate per mile, that is, three cents, or two cents perhaps.

Take California business. Its earnings on that would be very much less than three cents; probably less than two cents. Then its excursion rates, local, popular excursion, would tend to reduce that average very much.

And another and constant modifying condition is, the meeting of the short line rates. I do not think any road in the state would be ever able to obtain the maximum rate prescribed by the statute by reason of the fact that you have just discussed. The meeting of the

short line rate by the other road. The two cent maximum is impossible of attainment as an average, because of that fact.

Q. Why?

A. To illustrate: The M. K. & T. has a line from St. Louis to Sedalia. The Missouri Pacific has a line from St. Louis to Sedalia, a shorter line. The Missouri Pacific distance is about one hundred and eighty eight miles. The M. K. & T. distance is probably thirty five to forty miles further. Now all business from St. Louis to Sedalia must be handled at the Missouri Pacific rate, based on one hundred and eighty eight miles, & at two cents for a distance of
7754 two hundred and thirty miles, say. That rate is applied then to points on the M. K. & T. between Sedalia and a point one hundred and eighty eight miles from St. Louis.

Q. Whatever rate is prescribed by law you are under that disadvantage?

A. I say it would be impossible to attain the legal maximum and meet competition of the directly competing shorter line.

Q. That is quite a material difference isn't it, that difference between your lines?

A. Yes sir. We have that disadvantage in distance so we are in direct and regular and constant competition for the traffic.

Q. Between the two points?

A. Yes sir and handle a considerable part of it.

Q. And if the local rates were high enough they would not interfere with you at all, would they?

A. I don't know that I understand your meaning.

Q. Speaking about this interference of local rates with through rates, local with interstate traffic, it is only when they are put down too low, isn't it, that they interfere with your interstate traffic?

A. Yes sir.

Q. So if the local rate is fixed at a remunerative point, you would not be troubled by it, it would not affect your present business for example at all?

A. I think not.

Q. Now often on long hauls aren't the rates in some instances made so as to allow the differential lines, lines with more
7755 mileage and less power to give equal service, a less rate than the more direct lines?

A. I think conditions of that sort have prevailed in some sections of the country but I do not know of any in the west.

Q. Some lines to New York are permitted to charge less?

A. They make a lower rate.

Q. And their competitors do not undertake to meet that?

A. I think not.

Q. That is on the theory that the higher rate offers compensation?

A. Yes sir.

Q. I suppose in time or comfort of travel, or something of that kind?

A. There are disadvantages, of course, connected with the movement over the differential routes, of one character or another. I do not know what they are.

Q. Time, I suppose is one element?

A. Probably that is the most essential.

Q. So there are two roads from St. Louis to St. Joseph, the Missouri Pacific which passes through Kansas going to St. Joseph, and the Burlington between these points, which is entirely within the state of Missouri: Which is the short line between the two points?

A. I think the Burlington is but I am not sure about it.

7756 Q. That line fixes the rates, doesn't it, between the two points?

A. From St. Louis, yes, I think it does. Well, the *the* rate there is really not exactly based on the mileage. The rate I think is figured through Mexico Missouri by the Burlington and the Wabash.

Q. The Burlington and the Alton, isn't it? Have you reference to the combination line of the Burlington and the Alton?

A. So far as the line from St. Louis to Mexico is concerned I think; but then I think it is the Wabash which goes into Kansas City and forms a shorter line than exists over any one line of railroad. However, there is a difference of only a few cents.

Q. Is there any transportation between St. Louis and St. Joe that would take in the Wabash?

A. I was speaking of the Kansas City rate.

Q. I was speaking of St. Joe?

A. I think that is based on Burlington mileage.

Q. That of course has always been so, ever since those two roads were in existence?

A. Yes sir.

Q. Whatever the Burlington rate may be, and however the Burlington rate may be fixed, that would become the Missouri Pacific rate, whether by volition of the company or compulsion of law?

A. Yes sir.

7757 Q. If the rate is fixed by the State of Missouri, by legislative enactment, was a remunerative rate to the Burlington road, there would not be any hardship resulting from that?

A. To the Burlington?

Q. Yes.

A. Quite remunerative.

Q. The Missouri Pacific of course would have to comply with it just as it does now, to meet that rate?

A. Yes sir.

Q. You have said that the short line determines the rate: Upon what basis does the short line proceed when it is fixing its rate? What does it take into account?

A. You mean the elements that enter into it, and which they consider when making the rate?

Q. Yes, you are a traffic man.

A. There are so many that I shall only try to name a few of them. Of course we always start out with distance as a prime consideration. The character of the goods and their value.

Q. Which involves the element of insurance?

A. Insurance and liability of course to damage. Bulk, relative bilk I mean. Value of service.

Q. What do you mean by "value of service"?

A. I mean what can be afforded by the shipper or the receiver. The character of service.

Q. You mean he ought to pay more for the transportation of goods of high value?

A. Yes sir.

7758 The COURT:

Q. More for wheat than corn or more for silk than calico?

A. Yes.

Mr. LEHMANN:

Q. I thought that was what you meant.

A. Yes sir but above all perhaps the competition in various phases. Competition of markets and competition by water. Competition of any sort, in fact, that might serve to divert the business from a given point to a given point.

Q. I suppose you undertake also to determine in the case of say some industry of any kind, whether it is of field or factory, whether or not they could afford to pay a certain rate, or whether the rate would be prohibitive upon the development of the industry.

A. I would regard that as an element of competition. It is competition somewhere else.

Q. It is indirect competition, that they will be doing that business in some other field, otherwise?

A. Competition with some other industry or some other field.

Q. You include that within the term "indirect competition"?

A. Yes.

Q. You do not sit down to figure out how much it is costing you to run a railroad in trying to apportion the rates between different commodities as to cost of service?

A. No sir. I believe I mentioned though, that in making the rate we always give consideration to the rates on other commodities of a similar character or greater or less value, and to bulk and
7759 density. But the physical cost very rarely is given consideration except when a rate so low as to be obviously unprofitable is taken into account.

Now, for the traffic department of our own road, I know and get information in a general way, through conference through looking over the records and statistical tables, and get some ideas of what it costs to handle certain classes of business, from the business as a whole. But in making these rates we strive to make them, not so much with reference to the cost as the practicability. And we know at the end of the year or at the end of a given period after operation, whether or not the balance is on the side of profit or loss.

Q. Is——

A. — but I was going to say, the actual cost of handling a shipment of dry goods from Sedalia to Appleton City is not given much consideration in making the rates. We take more particularly into consideration other conditions which surround the movement.

Q. Generally speaking, Mr. Hale, the longer the distance over

which traffic and transportation pass, the greater the play of competitive forces: Isn't that true?

A. I think that is generally true.

Q. Because there would be more line that you could link up, more railroad you could link up into lines?

A. Yes sir.

Q. And the most expensive business that you have I take it, from the standpoint of cost, is that long roundabout haul you make
7760 in competition with the short line, illustrated as in this case of a shipment from St. Louis to Topeka?

A. Well, in one sense perhaps that may be true. In another, as you suggested, it might be business that of itself we handle with comparatively little cost, in view of other conditions which prevail, and service which we are obliged to maintain; and business of that sort might be added to this service, which I say is obligatory, without cost or without being of itself a cause of materially increased cost.

Q. In other words, you have got a lot of business between St. Louis and the various points on your line up to Parsons——

A. Parsons is dividing line.

Q. Where the Union Pacific connects?

A. Junction City is our connection.

Q. You have business all along the way from St. Louis to Junction City?

A. Yes.

Q. And it is that business and the profit on that business that enables you to haul this freight from St. Louis to Junction City for delivery to the Union Pacific?

A. We have the service. We maintain a service between St. Louis and Junction City. Now that service is constant. It could not be done away with if we wanted to. We have got to maintain it. So we handle with it any business that offers which can be carried over that line.

7761 Q. And which does not impose too great a specific cost in the mere matter of getting and handling it, I suppose?

A. Yes.

Q. There might be an immediate cost connected with it by which of course you would not touch it?

A. Yes sir, that is true.

Q. The cost of transporting all that, the added cost which this imposes upon your service there, is quite small. There is a margin in what you get over that small added cost of transportation?

A. I hope so.

Q. And I am distinguishing between added cost and proportionate cost. Of course proportionate cost would be distributing the cost upon all the freight. Upon the basis of proportionate cost that probably would not pay?

A. I don't believe it would.

Q. But on the basis of added cost it does pay?

A. Possibly it does.

Q. And it is your belief it does pay?

A. Of course.

Q. You would not take it of course if the added cost were greater than the proportionate cost?

A. No sir, hardly.

Q. Aren't there proportional rates in effect between the Missouri and Mississippi rivers on business originating beyond either
7762 of the rivers, east or west, and destined beyond the other river, which are lower than the full rates between the rivers?

A. Yes sir I think so, probably on live stock and dressed meat. I think that is the case with those two commodities. There may possibly be some others but I do not recall them.

Redirect examination.

By Mr. FRANK HAGERMAN:

Q. You said something about the rates from Hannibal to Kansas City would not determine the rate from St. Louis, or would not fix the rate from St. Louis to Kansas City, but the short line from Kansas City to St. Louis would determine the matter. That is with reference to the passenger rate, isn't it?

A. Only.

Q. But even as to the passenger rate, the rate to the east, Chicago for instance, would be based on the short line rate?

A. Yes sir.

Q. Which would be through Hannibal?

A. Yes sir.

Q. Now as to freight, the basing is between the two rivers?

A. Yes sir.

Q. So that freight started from Kansas City to St. Louis to go two hundred and eighty miles, would be figured out upon the basis of one hundred and ninety eight miles, the short distance, across the state to Hannibal?

A. Yes sir.

7763 Q. You said that the maximum rate of two cents would probably never afford any road the full return of two cents upon its entire passenger business, because of these competitive conditions?

A. Yes sir.

Q. The result is, as to any line which would have a shorter line, that the fixing of a rate at exactly two cents, if that was the last distance it could go in reasonableness, would make it unreasonable as to that road in the practical operation of that property, because it could not get the two cents?

A. Yes sir.

Q. You also made some reference in answer to Mr. Lehmann's question about conditions five years ago, prior to the passage of either of these laws, to the export business:

There was a time, wasn't there, when there was a contention as to whether the export business was within the jurisdiction of the Interstate Commerce Commission?

A. Yes sir.

Q. And it has since been determined that it is?
A. Yes.
Q. You also said—I did not quite catch what you meant, that if the state rate fixed was remunerative, it would not affect the question of interstate rates?
A. I understood Mr. Lehmann to ask, that if the rates established by the various states between New York and the Mississippi River,—if the rates were established by all those states on a remunerative basis, whether a combination of all those remunerative rates
7764 would make a remunerative through rate, and I expressed the opinion that it would.
Q. I did not quite catch the connection. Because, as I understood your testimony, these things established where one road was interstate, like the Missouri Pacific to St. Joe, and the other state, like the Burlington; in that kind of a case, wholly regardless of the remunerative feature, wholly regardless of anything upon that subject, whatever sum the Burlington road would reduce its share to, by reason of the law requiring it to do it, the Missouri Pacific would have to take the same rate?
A. Yes sir.
Q. Or else go out of that business?
A. Yes sir.
Q. And so with the other illustrations here?
A. Yes sir.
Q. You said something about the Texas situation in the effect of legislation for state rates, because there the rate was made up of a condition by which the water competition had to be met?
A. Yes sir.
Q. So the railroad rate from the east to a point in Texas would be equal to the water rate to the Texas shore and then the local rate on the inland part of the journey?
A. Yes sir.
Q. And that was one of the illustrations and I believe the only one you could give where there was a situation anything like the Missouri situation?
7765 A. That is the only case I recall at this time.
Q. Missouri is peculiarly located, isn't it, in dealing with this general question?
A. Particularly with reference to interstate rates, yes sir.
Q. That is because of these great waterways upon each side of the state, making those points naturally basing points?
A. Yes sir.
Q. So when a railroad dealing with the question of rates as between the Atlantic and Pacific, or any points between, crossing the state of Missouri, those two great water lines must necessarily be affected?
A. Yes sir.
Q. Is there any other place or condition in the United States, having the peculiar conditions that exist here in Missouri?
A. Affecting so large a scope of country?
Q. Yes.

Q. None that I know of and I do not think there is.

Q. Is there any kind of traffic starting west of Missouri and going east of the Mississippi River that is not affected by the fixing of a state rate in Missouri?

A. I don't think so.

Q. And in that condition of affairs Missouri is peculiarly situated as distinguished from all the other states?

A. Yes sir.

7766 To make it still plainer—now, there is one exception, to make my answer exact. I think the California rates to the eastern part of the country are probably unaffected by it, because there rates are made by reason of water competition.

Q. But otherwise?

A. Otherwise the rates fixed across the state of Missouri affects practically all other business.

Q. So, speaking generally of the general effect of a state rate, and where from its peculiar situation, and the effect of the interstate rate, there are these peculiar situations surrounding Missouri by reason of the great water ways on both sides, which make the interstate rate peculiarly affected by the state rate?

A. Yes sir.

The COURT: Forty years ago I can understand why the Missouri and Mississippi Rivers were properly designated as a basing or rating point, but why now? Is it because it has been handed down from father to son? Is there any reason or sense in it today?

A. Because it has been handed down and because there are large vested interests built up.

Q. There are no boats on the river?

A. There are boats on the Missouri river occasionally.

Q. I have heard of one and that is blown up. But I mean

7767 there are comparatively no boats on the rivers. Lots of men got wheels in their heads but where are the boats?

A. Kansas City, St. Joe, Atchison, and Omaha have been practically built up on this adjustment of rates. They serve as distributing points with Chicago for practically all the western country. There have been efforts made at some of the larger towns west of the Missouri river to have that condition set aside. Complaints have been made before the Interstate Commerce Commission that they were of themselves now big enough to serve as basing points, and that the rates ought to be built on a combination to their towns and beyond. I think Wichita has made a special claim.

Q. Don't you think the Interstate Commerce Commission will cease to regard the Missouri and Mississippi rivers as basing points?

A. I don't believe so. Of course the Interstate Commerce Commission has recently undertaken to establish a rate from New York to Kansas City on a different basis. That order of the Commission has been enjoined and is now in litigation.

Mr. HAGERMAN: There is one feature about it that if the railroads did not keep the rates down these rivers would be opened up as highways immediately. Is that one reason?

A. It is a character of competition we have always
7768 got to give consideration to.

Mr. LADD: You said to Mr. Hagerman that Missouri was peculiarly situated because it has a large river on each side of it. Would you say Iowa was in a similar situation?

A. No sir, Iowa has not so large distributing cities, which makes Missouri's situation a peculiar and unique one.

Direct examination continued.

By Mr. GARDNER LATHROP:

Q. That recent ruling of the Interstate Commerce Commission to which you referred, and which you know has been enjoined by the Federal Court at Chicago, isn't it a fact that the Commission recognized the basing points that have been established for years by the railroad at the Missouri and Mississippi rivers, but merely as to Atlantic seaboard shipments reduced the crossing rate from the Missouri to the Mississippi, still recognizing the basis and maintaining it as all other shipments?

A. That is true.

Q. Now whole it is true, as you stated in answer to Judge McPherson, that these basing points at the Missouri and Mississippi Rivers were established a great many years ago, and at a time when boat*d* traffic on those rivers was a factor, isn't it a fact that as a result of those basing points upon which railroad rates have been built up all over the country as the result of negotiation and competition through a long course of years, that large trade
7769 centers have been built up and large vested interests have been fixed, so that a *a* disturbance of those basing points at this time would not only destroy the railroad fabric of the roads, but also break down in a great degree a large number of vested interests in these basing centers.

Objected to as going clear beyond any controversy here. That is historical and relates to economic conditions and is not the subject of the testimony.

The COURT: I doubt it but I will receive it.

A. I was going to express as my opinion that was undoubtedly true, and that opinion is based upon expressions given by people who have these investments and who are in business at those basing points.

The COURT: You mean that would be destructive to the interests of St. Louis, Kansas City, St. Joe and like points?

A. Yes sir.

Mr. LATHROP (resuming):

Q. And Chicago?

A. Yes sir.

Q. And other large market towns which have been built up through a course of twenty five or more years, on the very system of rates that have been based on the Mississippi on one side and the Missouri river on the other, as basing points?

A. Yes sir.

The COURT: But if that were true it would help Des Moines, Wichita and other inland places?

A. That is the contention of those inland towns.

7770 Q. What do you think about it?

A. I think myself there would be fewer large towns.

Q. And more small towns?

A. Yes sir, there would be more smaller towns and more jobbing towns.

Q. It would be more like Iowa is today?

A. Probably.

Q. Not probably. We have no big cities in Iowa.

A. That is true. Des Moines is the only large town I know of in Iowa.

Mr. LATHROP (resuming):

Q. Isn't it a fact that not only if those basing rates, upon which these large towns have been built up and these large vested interests have been made, were destroyed at this juncture it would not only have a tendency to build up the smaller towns now in existence, but the smaller towns beyond would claim the same benefit, so that in the end you would be reduced practically to a mileage basis?

A. That would probably be the result.

Q. And the loss and destruction of property in these large centers, that have been built up during all this course of years on a basis of these rates, the losses that would accrue to these vested interests would be much greater in the aggregate than the losses to the railroad companies by disturbing the system which has been built up?

7771 A. I should think so.

Q. In the aggregate?

A. Yes, in the aggregate.

Q. Mr. Lehmann or Mr. Ladd asked you in regard to the situation in Iowa as compared with Missouri.

Now isn't it a fact that Missouri is very much more of a factor than Iowa in establishing the rates between the Missouri and the Mississippi rivers, because the shortest distance between said rivers that crosses the state of Missouri between Hannibal and Kansas City, rather than across the state of Iowa: Isn't that one of the factors?

A. Yes sir.

Mr. LEHMANN: Do you take the Hepburn Bill in account in that?

Mr. LATHROP: I don't know what effect the Hepburn Bill would have,—except that he lived there.

Mr. LEHMANN: That is it.

Mr. LATHROP:

Q. In order to get your view of a concrete case, because in my judgment, if you will pardon my expression of opinion, this is one of the most important questions in this case:

Would a substantial reduction in the Missouri rate affect a ship-

ment of corn or flour, say, from Topeka to New York, irrespective of whether the through rate was made up of the sum of the locals or upon proportional rate, and why?

A. Would a substantial reduction in Missouri, you say?

Q. Yes.

A. I think it would.

7772 Q. Why so?

A. First there is competition, of course, for grain for various purposes. And for a movement which would require its movement in various directions. There is the domestic milling demand in the first place, in various sections, north, south and the export demand. A material reduction from Kansas City to St. Louis would put the mills at St. Louis in a position to compete more for that grain than a mill located at a point not affected by the reduced rate, could afford to meet. Therefore, in order for the various railroads competing for the grain at Topeka to participate in handling it, and dividing the traffic between them, it is necessary they should make an equivalent rate to points in which they were interested by reason of having their rate into that market.

Q. So that a reduction of a local rate across the state of Missouri, between these two basing points, the Missouri river on the one side and the Mississippi river on the other, would directly affect a shipment from Topeka through to New York, wouldn't it?

A. Yes sir and to the Gulf.

Q. I was just going to follow that up.

Would such a reduction affect similar shipments from Topeka to Galveston for export, even though the shipment did not pass through Missouri at all?

A. Yes sir it would.

Q. Why?

7773 A. For the same reason, if a rate is made only to one point, the shipment must move and would move to that one point in preference to any other. The buyers at the point favored by the rate being able to outbid and pay a greater price than their competitors, who would be interested in other markets.

Q. So these two basing points of the Mississippi and the Missouri rivers, upon which the large centers have been built and upon which the business of the shippers and the railroads have been established,—a disturbance of that would disturb other rates entirely outside of the state and not touching the state, as they are so interdependent upon each other and directly reflect and affect each other?

A. Yes sir.

Q. Now let us take a shipment from another point. Such a point as Grand Island, Nebraska and not going through the state of Missouri. In going to Galveston the port, going from Grand Island Nebraska moving via Omaha and Chicago to New York: Would a disturbance of the rates in Missouri by Legislation, between the Missouri and Mississippi Rivers directly affect the rates from Rock Island, Omaha and so on?

A. I think so.

Q. Why?

A. Because Omaha and Kansas City are both primary markets for grain. Kansas City having the advantage of a low rate across
7774 the state could outbid Omaha unless the rates from Omaha to the Mississipi River were similarly reduced.

The COURT:

Q. How would that be as to passengers?

A. It would be the same thing. A low rate in effect by one route would induce the passengers to move one way.

Q. You gave that illustration a while ago with reference to the Chicago & Northwestern Road?

A. Yes sir.

Q. Not one foot of which is within the state of Missouri?

A. No sir.

Q. Suppose the state of Missouri had not enacted the two cent fare law, or suppose this Court should decree it void, either one, but that the Iowa two cent law should remain in force, then how about your situation in the east to points west?

A. They would be adjusted on the best available rate.

Q. How would it be changed?

A. You have a greater distance across the state of Iowa.

Q. You see what I mean the two cent law in force in Iowa but not in Missouri.

A. I say, if it were through force of circumstances, no matter what they may be, the lower rate available across the state of Iowa, than across the state of Missouri, the rate would have to come down through Missouri to equalize, at least, the rates through Iowa.

7775 Q. What I am getting at is, that Missouri would not control the situation?

A. If it had a higher rate?

Q. It is not in control of the situation?

A. With a lower rate it is in control.

Q. I repeat, suppose the Missouri Legislature had not enacted the two cent law, or this court decrees it void, but the Iowa two cent rate remains in force, then Missouri is not in control of the situation, is it?

A. I believe it would be still. I have not the figures directly in my mind. But I think the short line at three cents——

Q. I am talking about common points, say Colorado Springs.

Mr. HAGERMAN: The distance between the rivers increases it.

The COURT: Let the witness state.

A. The distance across the state of Iowa at two cents may be less than the shorter distance across Missouri at three cents.

Q. But it is as near from Chicago to Colorado Springs through Iowa as through Missouri—I assume it is. Then who is in control of the situation.

A. I should say the shorter line would be.

7776 Mr. LATHROP: Isn't it a fact, in regard to that illustration, that the distance across the state of Iowa at two cents is greater than the distance across the state of Missouri, that the Missouri roads

would have that much excess over two cents as their distance across the state of Missouri is less than that across the state of Iowa?

A. That is what I tried to state.

Q. That is to points beyond?

A. Yes sir.

Q. And in addition to that, so far as local travel in Missouri is concerned, if the state laws were not in effect, they would have a right to restore the three cent rate to local points?

A. Yes sir.

Q. But with a two cent rate in, you would only lose control in Missouri if a two cent rate were in effect in Iowa, the relation that the distance across Iowa bore to the distance across the state of Missouri?

A. Yes sir.

Q. One other illustration as showing the direct effect of a reduction of Missouri rates between the Mississippi and Missouri river points, across the state, as basing points:

I would like to ask you whether or not such a reduction would directly affect the similar shipment of grain from Sioux Falls, Dakota to New Orleans, for export, which did not pass through Mis-
7777 souri at all?

A. I do not know as to Sioux Falls. I do not know just what conditions govern the market up there.

Q. Isn't it a fact, however, generally, that the entire fabric of rates, east of the Rocky Mountains (you spoke of the California situation being controlled by water competition and possibly other complications), but east of the Rocky Mountains is there any reduction or change in the rates between the Missouri and the Mississippi river crossing that would not directly effect and change the rates upon all shipments into territory east of the Rocky Mountains?

A. I don't think there is a doubt but that condition would be absolutely necessary in order to enable all the lines in that territory to continue to handle a proportion of the business in the channels in which it has normally flowed.

Q. Starting in the other direction, now, from the Atlantic Seaboard and coming west or south, isn't it a fact that the reduction of the merchandise rates in Missouri, between these two basing points, wouldn't they necessarily and directly affect the whole basis of rates from the Atlantic Seaboard points to practically the entire territory between the Missouri river and the Rocky Mountains, by way of all roads?

A. Yes sir.

Mr. HAGERMAN: What has been in the last years the natu-
7778 ral increase in passenger traffic prior to the passage of this law?

A. You mean on our line?

Q. Generally.

A. I can only speak within a degree of exactitude with reference to the M. K. & T. I made some figures the other day from our reports since 1901, and the number of passengers from year to year has shown an increase varying from twenty nine to eleven per cent for the line as a whole.

Q. That is the natural increase from the building up of the company?

A. Yes sir.

The COURT: You mean the loss was eleven?

A. For eight years, taking the per cent for each year and dividing it by eight.

Q. Over the preceding years?

A. Yes, over each preceding year.

Mr. HAGERMAN:

Q. Have you that by years?

A. Yes sir I have a statement of that.

Q. Is that for Missouri or for the system?

A. The system. I have the Missouri figures only for a period of six months.

Q. Prior to the passage of the two cent fare you did not have the statistics as dividing it between the states?

A. No sir.

Q. Give the average per year of the natural increase?

7779 A. These percentages serve to show the increase for each year over the year preceding. 1901 twenty-nine per cent.

Q. Over 1900?

A. Yes sir. Twenty nine per cent in the number of passengers carried.

1902, twelve per cent; 1903 eleven per cent; 1904 fifteen per cent; 1905 twenty-two per cent; 1906 eleven per cent; 1907 fifteen per cent; 1908 eleven per cent.

Q. What was the average of those eight years?

A. Taking the total of those per cents and dividing it by eight would make fifteen and three-fourths. That would not represent the actual average, of course.

Mr. LEHMANN: Each one of these percentages is predicated upon the preceding year?

A. Yes.

Q. Ergo your first twenty-nine and the next year twelve per cent. That would be upon the twenty-nine?

A. Yes.

Mr. LEHMANN:

Q. Now give it for the last six months, Missouri.

A. For six months, taking the month of August to January, 1907, taking January 1907 and January 1908, and comparing with the same months of the previous year, the increase was sixteen per cent in the number of passengers carried.

Q. That is for Missouri?

A. Yes sir for Missouri alone.

7780 The COURT:

Q. When did you put your interstate passenger rate into force last year?

A. Within a few months after the 19th of June. I don't think

they became generally effective until some time in September. I don't remember the exact date.

Q. The reason I ask that is, it is said some interstate business would in fact show as state business, buying tickets to the state line and so on?

A. Yes, we think there is a good deal of that.

Q. You have no way of telling that?

A. Not precisely.

Q. You couldn't tell, could you?

A. We have made some figures showing at some of our border points, during a certain period after the nineteenth of June, there was a considerable increase in travel to and from those points.

Mr. HAGERMAN:

Q. That is to say, the border points showed an increase when the two cent rate in Missouri was in force, but not on through business?

A. Yes.

Q. Is there any way of showing that—is it not speculative?

A. We have some figures here. But they vary. We have a record of the tickets sold of course to each station and from each station.

Q. Up to the state line station?

A. Yes.

Q. But you don't know whether that passenger got off got
7781 off there or went on?

A. No sir. The only way we can draw some conclusion is as compared with what was normally handled at that station.

Mr. HAGERMAN: In September you put in effect on the interstate rate the same as the two cent rate on the state business?

A. Yes sir.

Q. Now was there then that abnormal increase at the state border points?

A. There was some increase. The reason why I was not satisfied to draw a conclusion from it, because there was even after that time some increase over the preceding year when there was no inducement from a rate stand point for the passenger to buy and then rebuy.

Q. How long before it got back to a normal condition?

A. Well, I do not know as to that.

Q. As the Judge said, there was no method by which you could ascertain what interstate passenger bought state ticket to the state line and then bought interstate ticket?

A. No sir.

Q. Except it was an abnormal situation during the period of time, at the state line stations.

Mr. LEHMANN: He hardly said that.

A. I said there was a material increase in the number of passengers at one or two of these points. I think particularly
7782 Nevada and Eve, commencing with our reports about the 19th of June, I think it was, as compared with the same month of the preceding year. They showed a good deal more travel

to and from these particular stations. That was particularly the case with Nevada. St. Louis did not show relatively much change.

Recross-examination by Mr. LEHMANN:

Q. Do I understand from you that the railroad people take seriously into account the Missouri river as a factor in transportation?

A. They do regard it seriously, yes. They did not at the time the boats were put on there recently, they undertook to make the rates that were established by those boat lines. Not having faith in the permanency of the lines and not knowing whether they would be supported, in view of the long time as against the shorter route by rail transportation.

Q. How many boats ply the river between Kansas City and St. Louis.

A. I do not think there are any now.

Q. How long, within your recollection, were there any at all?

A. Oh, there was I think one last summer.

Q. How many trips did it make?

A. I really don't know.

7783 Q. Didn't she go up on her second trip?

A. I think so.

Q. How long was she making her trip?

A. Oh, a long time.

Q. You think even the Mississippi River is a menace, as a factor, or considered as such by the railroad people?

A. I think the Mississippi fixes the rate to a very large extent.

The COURT: Farther up than St. Louis?

A. Yes sir, I think even between Hannibal and St. Louis.

Q. Keokuk?

A. Yes sir.

Q. The foot of the rapids?

A. Yes sir. I do not think there is a great volume of business that moves that way but the rail rates are adjusted with particular attention to preventing it.

Q. Do you know anything of the volume of the business on there?

A. No sir I do not.

Q. Haven't you understood that some railroad men of leading position in the railroad world, like James J. Hill, have been very insistent that it was necessary to the railroads that the Mississippi river should be deepened and that traffic and transportation on that river developed?

A. I think so. I think that is the very general opinion.

7784 Q. Then it is hardly a menace to the situation if the railroads are interested in the development of traffic on the river. How can the river be a menace inasmuch as you cannot do business on it now?

A. There can be a large business done on it.

Q. Mr. Hill, as a railroad man, wants more of it done, in order to help out the railroads. That is as I understand his position.

The COURT: Perhaps that is because the south-east end of his line,—but I don't know.

Mr. LEHMANN:

Q. Mr. Hale, you have spoken of the interdependence of the different sections of this country here. Don't you think you can carry that further and show in exactly the same way as you did in answer to Mr. Lathrop's question, the interdependence of the various sections of the world?

A. Oh, I suppose there is a commercial interdependence between all nations.

Q. Did not the opening of the Suez Canal affect railroad rates in the United States?

A. I do not know of any that way.

Q. By bringing the wheat fields of India nearer to the Liverpool market, and stimulating the production of wheat in India and making it necessary to facilitate competition on the part of the American farmer for wheat?

A. I really do not know the effect of that.

7785 Q. Don't you think it would tend towards an effect of that kind, possibly? Don't you think the same would be true by the construction of the Siberian Railroad and opening the plains of Siberia to agriculture? Don't you think that would have an effect on the rate of railroads in this country?

A. Possibly.

Q. You were intending simply to indicate the interdependence between the railroads of this country?

A. Yes sir.

Q. You have given some figures with regard to the increase of passenger traffic over your line in the last eight years: Are those percentages based on passenger miles?

A. No sir the number of passengers.

The COURT:

Q. I was thinking a while ago of that—that is the number of passengers?

A. Yes?

Q. How about the passenger miles?

A. I have those figures but I have not reduced them to percentages.

Mr. LEHMANN:

Q. Your road, in that way, has been somewhat exceptional in the last seven or eight years?

A. As compared with others in this section?

Q. Yes.

A. No sir, I think not. We have all increased.

Q. I thought your road bore such close relation to Okla-
7786 homa and the Indian Territory and that it was peculiarly affected by the wonderful development there?

A. I do not really know what the statistics of the other roads show in that respect.

Q. Your road is peculiarly related to Oklahoma and the Indian Territory?

A. We have lines through that section which have been growing rapidly.

Q. Aren't yours rather the most important lines there?

A. I do not suppose the others would admit it.

Q. I thought they were, really?

A. We think so.

Q. There has been very exceptional developments?

A. Yes sir.

Q. You have computed your percentage each time upon the year before?

A. Yes sir.

Q. So that is an accumulative figure, all through?

A. Yes sir.

Questions by Mr. LADD:

Q. Have you made any investigations, Mr. Hale, as to the effect of the operation of the laws changing passenger rates in other states, in recent years?

A. I have attempted to get some information along that line, with very little success. Those persons whom I addressed on
7787 the subject all said that they had the thing under investigation but were hardly prepared to express any positive opinion in regard to it.

Only last week I had a letter from a General Passenger Agent of one of the prominent eastern lines, who said that they had suffered a reduction in revenue which they attributed largely to that fact. But that he did not at the moment wish to be quoted in connection with it.

Q. I will ask you if you are aware that in the state of Ohio, under the operation of the two cent law the passenger revenues were very materially larger than under the three cent rate?

A. I have heard that explained, but I don't know with how much truth. I am not familiar with the conditions there.

Q. You have heard that is the case?

A. Yes sir, and explained by the fact that there were a greater number of persons travelling on the railroads at the two cent rate than previously, because they had, prior to the establishment of the two cent rate as the maximum, used the Electric Trolley Lines.

Q. You have not seen the Ohio comparative statistics?

A. No sir.

Redirect examination by Mr. HAGERMAN:

Q. How was it on your road in Missouri for the last six
7788 months, about the increase in revenue?

A. Our revenue was not so great as for the preceding period of six months,—that is, I mean the corresponding six months for the previous year,—although there was an increase of 16 per cent in the number of pasesngers carried.

Q. Mr. Lathrop spoke in a general way about the great private enterprises built up in Missouri, in Kansas City and St. Joe, the stock yards and packing houses and things of that kind: But I want

to have you answer about the terminals of the roads themselves, like the Union Pacific for instance, that comes from the west and those going east, the Wabash, the Chicago, Milwaukee & St. Paul, and the like.

Those companies have invested millions of dollars in the Missouri River points, have they not?

A. Very largely.

Q. Those, investments were made necessary by the situation of Missouri, the Missouri River being the basing point?

A. Yes sir.

Recross-examination by Mr. LEHMANN:

Q. You think the maintenance of the two cent rate in Missouri would be destructive of Chicago, St. Louis, Omaha and all the large towns, and would tend to build up the small towns in some measure?

7789 A. No sir I do not speak of the passenger rates in reference to that.

Q. I am talking about freight and passenger, all of them: You think if we were to maintain those rates, it would make an end to all the large cities of the country?

A. Oh, no. What I said was, as to the use of these places as basing points in making rates. The basing points being the question at issue, and not the volume itself.

Q. If those cities were ignored as basing points, and the rates were established on what as an original proposition would be more equitable rates, then it would tend to destroy them?

A. I think it would tend to destroy a very great commercial system.

Q. In other words, the policy of the railroads has been to build up a few commercial cities?

A. I think that has been the tendency.

Q. And keep down the smaller towns?

A. I do not think it has kept them down. As I said a while ago I do not believe that the system of rates on a strictly mileage basis, from the seaboard to California, would result in the establishment of any large town at all. That each town would probably draw its own supplies and serve its own little community, and stop there.

Q. The country would be more like Iowa in that respect?

A. Yes sir.

7790 At this point the further hearing of testimony herein is adjourned to Saturday, November 14th, 1908, then to be resumed at the same place, at half past nine o'clock A. M.

7791 KANSAS CITY, MO., *November 14th*, 1908.

Met pursuant to adjournment as above, on Saturday, November 14th, 1908, at Room 120 Baltimore Hotel, Kansas City, Missouri, at half past nine o'clock in the forenoon, present parties as before, when the following proceedings were had.

The COURT: Before taking any further evidence I will make an announcement that I have suspected for some time I would be com-

pelled to make but it has not been certain until the last day or two that I would have to make it.

It is, that at the close of today I will have to suspend for an indefinite time, probably two weeks. The exact time I am not able now to state. I feel very sure there is no one to blame for it and no — can regret it more than I do.

Last June, when these cases were set, I immediately, and in quite a lengthy letter, laid the entire situation before Judge Sanborn, the senior judge, who ordinarily makes the assignments, among other things asking for some help in these cases and particularly asking that in the event I was to try them, which of course I did not solicit and would have avoided if I could, that some one be sent to my district while I was here, I protesting against trying these cases and at the same time being interrupted by and my mind disturbed with other matters.

The last letter was to the effect that if I did not hear from him by the last of this week I would be compelled to adjourn, and
7792 attend to my own district affairs, which cannot be continued without subjecting the litigants to great loss.

It is fair that I state on behalf of the Circuit Judges, although I am not requested so to do, that they have the great circuit of the country, both geographically and in judicial business, and notwithstanding there are four judges, it is impossible for them to keep up with the business and they are constantly calling on district judges to help them.

What emphasizes and intensifies the situation with them is that they are commanded, under statutes enacted in the last few years, to take up certain classes of work; they cannot avoid that, without being utterly disrespectful to the enactments of Congress. That is taking a great deal of their time, work which would ordinarily be performed by the District Judges on the Circuit.

The result is, that it is utterly impossible to get the work done and get these assignments made from one district to another at the same time.

To conclude that matter, just as soon as I see I can get back here I will notify Mr. Lehmann on one side and Mr. Hagerman on the other side and likewise Miss Eagan, and take up the work where we close this afternoon.

Now I want to emphasize some statements I have made during the week, which is, that we are trying the St. Louis and San Francisco Railroad case. Now, of course, a large per cent of the evi-
7793 dence that has gone in has been of a general character, necessarily, and properly so. I think it ought to be understood that there should be only a reasonable amount of evidence of this general character. I would prefer, ordinarily, not to limit parties but neither side can claim a preponderance of the evidence on these general questions by having the greater number of witnesses. No one can ask me to so hold.

Here are the two theories insisted upon,—the revenue system and the tonnage system. It is apparent to me, although I have heard only one side of the evidence, that one theory has certain facts which

are perhaps undisputed to support it, and the other theory no doubt will have undisputed facts to support that. I think I can see now—without determining anything in advance, that there will be certain facts which will be debatable. That is not for the witnesses to determine. I must, of necessity, determine that. It is well enough to hear the testimony of witnesses, which, however, consists of at least in part argument rather than facts.

I most sincerely hope that by the time I get back here counsel will agree upon say not more than three additional cases. You can agree upon these better than I can. I would be liable to make a mistake on that. I repeat, with all respect to counsel, that if it is not made I will make the allotment myself when I get back
7794 here. Because to hear eighteen cases is equivalent to now decreeing that these cases shall never be heard. That is what that amounts to. Any one can see that by hearing only three or four of these cases the results will affect all.

For instance, if I should hold the passenger statute valid, there would be a final decree in three or four cases I tried, denying an injunction—and of course there would be no temporary injunction in the other fourteen or fifteen.

If I should hold the passenger statute void, there will be a perputual injunction in those cases, immediately followed by a temporary injunction in the other fourteen. If I should hold the freight statute valid the injunction would be lifted not only in the three or four cases tried but in the others.

If I should hold the freight statute valid the temporary injunction would be made perpetual and the temporary injunction continued in the other fourteen. That is where we are working to.

I think when I come back here that we ought to have longer sessions. It was well enough to start on an easy pace to start with. But five hours a day is not a day's work. It is shorter than any of us have been accustomed to. I think we must hold longer sessions by one or two hours at least, and if driven to it we must have some evening sessions.

I am determined that these cases shall go to decree in Janu-
7795 ary, so far as this case is concerned.

On account of these adjournments, for which neither the Circuit Judges nor anybody else is to blame, we will put in a full day today.

Mr. KENNISH: There is one thing further I would like to have understood now.

One of our experts may want to ask leave of the St. Louis and San Francisco Railroad Company to examine certain books and have access to their records before Court resumes the hearing two weeks from now. I suppose it will be understood that they may have access to anything relative to this hearing?

Mr. HAGERMAN: I want to make the record plain, because if you have any such impression as the newspapers have been publishing, you are all wrong.

June 8th, the Frisco's statement was submitted. Mr. Evans in open court before you, on the 13th of June, said, that if they got

ready to try the Frisco case at once they could put on as many experts as they wanted and he would pay the bills. Every day since then the books of that and every other railroad have been absolutely free to the experts and every expert has had the privilege accorded to them to examine every book of the railroad.

It is an absolute impossibility for anybody, lawyer or expert, to prepare the case upon his theory, and bring books and papers and furnish them to the other side.

7796 There has not been a day that these experts could not have had access to these books. You know that, from what has taken place in court. There is no necessity for making any order. As a matter of fact they have examined these books and can do so at any time.

Mr. KENNISH: The reason I mentioned it, is because after the time mentioned by Mr. Hagerman the Missouri Pacific Railroad did refuse to give our experts access to certain records. It was the subject of correspondence and talking over the telephone and we had two or three days delay.

Before that time we had difficulty on account of the Burlington Railroad, and for weeks our experts were delayed because they were not permitted to have the access to certain records. And that is why I mentioned this now.

Mr. HAGERMAN: There has never been a time when they have not had access to everything they wanted. In the case of the Missouri Pacific Railroad there was one particular time when there was some question as to whether they should or should not have access to certain records.

The COURT: There is one more matter I wish to mention. When I do come back here I come back absolutely to stay. I will refuse to go back to my own district and of course shall refuse to go to any other district.

I do not see why three or four of these cases can not be concluded in two or three weeks more work.

7797 ST. LOUIS & SAN FRANCISCO RAILWAY CO.

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7798 BETHARD, a witness of lawful age being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination by Mr. FRANK HAGERMAN:

Q. What is your position, Mr. Bethard?
A. I am assistant General Manager of the M. K. & T. Railroad.
Q. How long have you held that position?
A. One and one half years.
Q. How long have you been in the railroad service?
A. About thirty years.
Q. What position, from the very start, have you worked up with, and in what line?
A. Telegraph operator and agent, dispatcher and chief dispatcher; superintendent; superintendent of transportation; assistant general manager.
Q. And on what railroad?
A. The M. K. & T.
Q. The M. K. & T. all the time?
A. I have been on two or three different roads.
Q. What roads have you been on?
A. The C. B. & Q.
Q. What part of the country, on the Q.?
A. Between Rock Island and St. Louis.
Q. Where else?
A. On the Iron Mountain.
Q. Whereabouts, what portion of that line?
A. Train dispatcher between St. Louis and Bismarck.
Q. Go ahead.
A. I was on the Richmond and Allegheny in Virginia. And on the M. K. & T.
Q. How much of your time on the M. K. & T.?
A. About twenty years.

7799 Q. So you are familiar with railroad operation throughout Missouri?
A. Yes sir.
Q. Practically on all the conditions that affect operation from the ground up, to the present situation?
A. Except perhaps on the maintenance of way in Missouri I am not so well posted.
Q. In a general way you are acquainted with maintenance of way?
A. Yes sir.
Q. I believe you were examined and cross examined on the part of the case with relation to the extra cost of doing the freight business: I mean under the Act of 1905, you were fully examined and cross examined upon the cost of doing the State freight business?
A. Yes sir.
Q. With that remark I will leave it as to what that testimony was and take up the other part as to which you have not been examined in testimony heretofore given, as to what the extra cost is of doing the State over Interstate passenger business.

Is or is not there an extra cost in that regard?

A. Yes, sir, there is an extra cost.

Q. What are some of the elements entering into that extra cost?

A. The additional train stock. Additional terminals. Additional fuel. Additional stations.

Q. And various other elements were mentioned here by Mr. Gray and Mr. Doddridge, in their testimony: are you attempting to give all that enter into your sum?

7800 A. There is the arbitrary train service.

Q. Go ahead. Anything else you have in mind?

A. There are other things I might mention.

Q. What, in your judgment, would fairly represent the extra cost of doing the State passenger business in Missouri over the Interstate?

A. I should say it would be from forty to sixty-five or seventy per cent.

Q. And that you base upon your general experience as an operator?

A. Yes, sir.

Q. Is there any fixed method or rule by which in the practical operation of railroads that is ascertained, or does it come back after all, in your mind, to an estimate?

A. It is just an estimate. I could not figure it out but from my general knowledge of the cost of the business.

Q. Have you had your attention particularly directed to the matter, and have you tried to run your road as economically as possible in the conduct of your business?

A. My work continually is a reduction of cost of operation—trying to figure out a cheaper way of doing it.

Q. There is no practical method which is in use by the railroads, by which that extra cost is or can be definitely ascertained, is there?

A. No, sir, I think not.

Cross-examination.

By Mr. FRED LEHMANN:

Q. You say the additional cost of doing State passenger business over Interstate passenger business is from forty to seventy per cent?

A. Yes, sir.

7801 Q. In the State of Missouri?

A. Yes, sir.

Q. What is your basing point there; is it the passenger mile?

A. No, sir, I take into consideration the different cost of stations——

Q. Those are the elements. Forty to seventy per cent, based on something. Do you mean it costs seventy per cent more to earn a dollar in State revenue than in the Interstate?

A. Yes, sir.

Q. That is what I am trying to get at. Otherwise your statement is unattached at one end, one end is floating.

We have it then, that it costs from forty to seventy per cent more

to earn a dollar in State revenue than in Interstate revenue, from the operation of passenger trains in Missouri?

A. I think so.

Q. Would you make that statement generally with respect to all the roads of the State?

A. I can only speak generally from the road I am engaged on.

Q. That is the M. K. & T.?

A. Yes, sir. I think that would apply to all of them, however.

Q. You think it would apply to all of them?

A. Yes, sir.

Q. I think most of us are a little more familiar with the situation between St. Louis and Kansas City——

A. We have no passenger business there.

Q. I say, most of us are more familiar with the situation between those two cities than any of the others?

Mr. HAGERMAN: What passenger trains do you run between
7802 Kansas City and St. Louis?

A. We run a train from St. Louis to Sedalia, one of our through trains passes through Sedalia and takes up a local train there, and another through train from there to Kansas City. There is no through car service.

Mr. LEHMANN:

Q. Your through service between St. Louis and Kansas City is a very round-about service?

A. Yes, sir.

Q. You really do not compete for any business between St. Louis and Kansas City?

A. Not passenger business, no, sir.

Q. In that the reason this increase of cost of doing the service for the difference between the State rate and the Interstate rate made by the railroad company?

A. I don't know anything about rates.

Q. You know something about what rates are for passenger service?

A. I pay no attention to that at all. My work has nothing to do with that.

Q. Don't you know what they are?

A. Just in a general way is all.

Q. Don't you know that from the beginning of the railroad system in this country that passenger rates, by the voluntary action of the companies themselves, have been fixed on a mileage basis; and that that has applied for seventy years, except where it is modified by conditions of competition?

A. I know there are mileage rates and party rates and excursion rates, and so on.

Q. I am not asking about party rates. I am asking about
7803 passenger rates, by voluntary action of the railroad companies, which for seventy years has been based on mileage, except as modified by conditions of competition?

A. I think so.

Q. And that is because the companies have always treated the difference of the local rate and the through rate, under the conditions that have applied to the passenger service, as negligible?

A. I do not know anything about rates. I know nothing about them. I know only about the conditions of the service.

Q. You would be unwilling to answer that question?

A. Yes, sir.

Q. You have spoken of the arbitrary train service as being one of the reasons for a higher charge upon State and Interstate business; Isn't it a fact that all passenger train service is of the kind that is characterized as arbitrary, in the terminology of the railroad?

A. No, sir, I think not. We run local trains to fit the local business. The fast train carries the people to and from the local stations.

Q. As I understood the term "arbitrary" as used by witnesses heretofore, take it for example as used by Mr. Doddridge, in respect to freight trains, that the arbitrary service is that which is fixed and scheduled and operated without regard to whether or not there is at the time any particular demand for it: Did you use the term in any different sense?

A. We have to run passenger trains every day, according to the statute.

7804 Q. Precisely. That is an arbitrary service, on fixed time from terminus to terminus whether there is anybody to take the train or not?

A. Yes, sir.

Q. Isn't exactly that same thing true with respect to your through trains, that you run them upon a fixed schedule from place to place designated, whether there is anybody to take the train or not?

A. They run on regular schedule, yes.

Q. That is what I understood was meant by the witnesses who have heretofore testified as to arbitrary train service, that with respect to that feature State and Interstate service are identical?

A. We would not run so many arbitrary trains. We would cut down the service if it was not for the State business.

Q. Wouldn't you cut down your through trains if it were not for the through train service?

A. Certainly.

Q. How many trains have you that are purely local trains?

A. We have a main line in Missouri, two each way.

Q. What do you call the main line?

A. From St. Louis to Ft. Scott, or just this side of Ft. Scott, a place called Eve, in Missouri.

Q. Is that where it stops?

A. No, sir. These are local trains.

Q. Do you run any passenger trains in the State that are strictly State trains, that is which begin within the State and end within the State?

A. Yes, sir, we run two passenger trains each way between Hannibal and New Franklin.

7805 Q. Hannibal and New Franklin.

A. Yes, sir. That is a branch line. And then from McBaine to Columbia and a branch line running from Walkers to Eldorado Springs.

Mr. HAGERMAN:

Q. There is a Kansas City line running from Kansas City to Paola, which runs into Kansas?

A. Yes, sir.

Mr. LEHMANN:

Q. Hannibal to New Franklin, you run a train each way each day?

A. Two.

Q. Two train- each way each day?

A. Yes, sir.

Q. Does that connect at New Franklin with any other train?

A. Yes, sir, it connects there with the main line train.

Q. And that is used in conjunction with the main line train?

A. Yes, sir.

Q. And you sell tickets for a continuous journey that will involve both the Hannibal and New Franklin line and the main line?

A. Yes, sir.

Q. A person buying a ticket from Hannibal would go where—where would be the main line connection?

A. St. Louis or points south of Sedalia.

Q. And beyond the state?

A. Yes, sir.

Q. So you have got what might be called a through line from Hannibal to New Franklin, but not through service?

A. Yes, sir, a through line.

7806 Q. But not a through service?

A. No, sir.

Q. From McBaine to Columbia, which connects your main line with Columbia, the county seat of Boone County and the seat of the State University?

A. Yes, sir.

Q. That branch is how long?

A. Nine miles.

Q. And that train connects with the main line?

A. Yes, sir.

Q. And you operate from Columbia as a continuous line over your main line, but not a continuous service?

A. We sell tickets.

Q. That is what I mean?

A. Yes, sir.

Q. McBaine to Columbia, you connect with every train, I take it?

A. Not with every train. We connect with what we call the local trains. We have what we call the "Flyer" and we do not connect with that.

Q. You make connection with the local but not with the through train?
A. Yes, sir.
Q. Walkers to Eldorado Springs, is what?
A. A branch line fourteen miles long.
Q. Going where?
A. To Walkers on the main line to Eldorado Springs.
Q. Eldorado Springs is the termination of the branch?
A. Yes, sir.
Q. What county is that in?
A. Cedar County.
Q. And that is operated like the branch at Columbia?
A. Yes, sir.
Q. In connection with your main line?
A. Yes, sir.

Q. Now prior to the enactment of the passenger law which
7807 is under consideration here, you sold tickets for passage from point to point within the State on the same basis that you did between points within the State and points without the State, except where the situation was affected by competition, competition of shorter lines?
A. I don't know as I understand that question.
Q. You have been in the habit always, on your railroad, of selling your passenger transportation on a mileage basis, except where the situation is affected by the competition of the shorter lines.
Mr. HAGERMAN: You mean by that, if the three cent State fare was three cent Interstate?
Mr. LEHMANN: Except where affected by competition.
A. I could not answer that question.

Mr. LEHMANN:

Q. You could not answer that?
A. No, sir.
Q. You do not know whether that was the fact or not?
A. I can not answer that.
Q. You say the local train makes additional stops?
A. More frequent stops.
Q. It makes those stops alike for interstate as for State passengers, doesn't it?
A. It——
Q. In other words, the person who buys a ticket at Columbia for some point—what space outside do you reach?
A. Our line runs through Kansas and Oklahoma and Texas.
Q. Well, a passenger at Columbia wanting to go to Kansas, Oklahoma or Texas to points on your line, would buy a ticket
7808 right at Columbia for that, wouldn't he?
A. Yes, sir.
Q. In order for him to make his journey of course the branch train stops at McBaine?
A. Yes, sir.

Q. It has got to stop there?
A. Yes.
Q. The stoppage of the train there is the same thing whether the man who gets off is a State or an Interstate passenger?
A. That is the end of the run.
Q. Any one on the main line out from St. Louis, wanting to go to Kansas, Oklahoma or Texas can buy a through ticket at the local ticket offices, can he not?
A. Yes, sir.
Q. And the train stops for him, it is scheduled to stop, at practically all your stations, some trains stop?
A. The local trains stop at all stations and then they stop on flag.
Q. They either stop or they are flagged to stop?
A. Yes.
Q. You have on your line, and I presume you could speak of general conditions on other lines in the State of Missouri—certain trains that are called "through trains"?
A. Yes, sir.
Q. And in the case of the principal passenger line in the State of Missouri those through trains are State trains, aren't they. They begin and end their run within the State?
A. The through trains?
Q. Yes.
A. They pass out of the State.
Q. Let me call your attention, Mr. Bethard, to the two principal points for travel and transportation, Kansas City and St.
7809 Louis I presume, aren't they?
A. Yes.
Q. Because they are the two large commercial centers, and the two large seats of population?
A. Yes, sir.
Q. There are several railroads operating between those two places?
A. Yes, sir.
Q. Do you know of any train coming from the West into St. Louis that passes over the river. Don't all the trains from the West entering St. Louis terminate right there?
A. Yes, sir.
Mr. HAGERMAN: Except the Wabash?
Mr. LEHMANN: The Terminal makes a connection there. There is a complete severance there.
Mr. HAGERMAN: Does not the Wabash run a train from Buffalo and Kansas City?
Mr. LEHMANN: Of course that may be subject to correction.
Mr. HAGERMAN: We all know that the Wabash has tracks running East from St. Louis as well as West.
Mr. LEHMANN: But there is no physical bond between the railroads on the East and the West side. The Terminal is a separate, individual terminal property there, absolutely. Except I believe the Iron Mountain road has the Ivory Ferry.

Mr. HAGERMAN: The Chicago and Alton also has a line running East from St. Louis as well as West?

A. I don't think their trains run through. They stop at St. Louis.

The COURT: The same is true of the Burlington but I do not believe they have a train through.

7810 Mr. LEHMANN: I think they have a sort of connection through the Alton bridge.

Mr. LEHMANN:

Q. Trains coming from the west into St. Louis, all terminate there?

A. Yes, sir.

Q. Do you know of any passenger train west bound from St. Louis to Kansas City which does not terminate as a train at Kansas City?

A. I am not familiar with the business west of Kansas City but I think the Burlington runs through trains.

Q. I am distinquishing now between train car and through train, Mr. Bethard.

Mr. EVANS: The Missouri Pacific runs a road from St. Louis to Omaha right straight through.

Mr. LEHMANN:

Q. Now, Mr. Bethard, you make up a through train whenever you have traffic enough between two large centers, whether they be both within the State or both without the State, or one within the State and one without the State.

Your disposition is to make up through trains between those centers?

A. Passenger trains?

Q. Yes.

A. They run on a fixed schedule.

Q. I know. But the public want quick service, as a rule, does it not?

A. Yes.

Q. And one of the elements of obtaining quick service is to make as few stops as possible?

A. Yes, sir.

Q. That is quite as important as a higher rate of speed?

A. I think so.

Q. I assume it is of material importance, at least?

7811 A. Yes, sir.

Q. So if you have two large centers of population like Kansas City and St. Louis, between which there is a great deal of communication, whether they are within the same state or whether they are in a different state, the tendency would be on the part of the carriers serving those two communities, to get a through service between them, wouldn't it?

A. Naturally so.

Q. And that would have no reference whatever to the location of State lines?

A. To get the business.

Q. Here are the two great communities, and the two great communities with which the railroads of this State have principally to deal are both within the same State?

A. The business is there and they run the through service.

Q. They would, of course, then run their local trains to accommodate that traffic which was not through, from point to point?

A. Yes, sir.

Q. The better service in that case, that is the more desirable service, goes to the through train: First, it gets better time?

A. You mean the train that makes the fewer stops?

Q. Yes, that is one element. You make better time for that train?

A. Yes, sir.

Q. You call that an element of better service, don't you. I am not disparaging the local service as insufficient, but the through service is better?

A. Yes, sir, the through service is better.

7812 Q. Between those large centers of population you usually expect to find more than one line?

A. Usually.

Q. With the result that you have competitive conditions?

A. Yes, sir.

Q. And the competitive conditions operates in a compulsory way upon the railroad management, don't they?

A. To some extent.

Q. To a considerable extent, wouldn't you say?

A. If the business pays it would, so far as service is concerned. You add to the service as business develope*s*.

Q. As a rule business is supposed to be paying when they get to building more than one line between two points, isn't it?

A. Yes, sir, as a rule.

Q. You put on better cars on that through train?

A. They may be larger cars. I don't know that they are any better.

Q. Isn't a Pullman car distinctly a better car than the ordinary passenger coach running on your local trains?

A. It is more luxurious.

Q. Doesn't it go beyond that. Isn't it an easier riding car, better balanced and better springs?

A. I don't think so.

Q. You do not use a vestibule in your local trains do you?

A. I can only speak of our own line. Most of our cars are vestibuled.

Q. On the local trains?

A. A great many of them, most of them.

7813 Q. Do you run complete vestibuled trains locally?

A. I think we have one complete local and one mixed.

Q. You know that the vestibule is worth nothing except as it is complete through the train, don't you?

A. Well, the vestibule strengthens the car.

Q. What is the purpose of the vestibule?

A. The purpose of the vestibule is to strengthen the car.

Q. Is it to take up the shock of travel?

A. Yes, and it strengthens it.

Q. It is not simply the protection against the weather but there is a spring back of the frame plate of the vestibule which lessens the shock incident to the movement of the train?

A. Yes, sir, and it strengthens it in case of collision it can stand the shock.

Q. These vestibules are to be looked for more on the through trains than on the local?

A. I think the new equipment on all roads is all vestibuled.

Q. That has not been true in the past?

A. It has for the last three or four years.

Q. Is not the Pullman car heavier as well?

A. It is heavier than the train cars. But some train cars and coaches are almost as heavy as a Pullman.

Q. Isn't the Pullman car less liable to injury in case of a collision than the others? If you have a Pullman and an ordinary passenger coach together, the Pullman is going to telescope right through the passenger coach, isn't it in case of collision?

7814 A. An ordinarily built passenger coach today is about as substantial as a Pullman.

Q. You think they are just as good as a Pullman?

A. Very nearly.

Q. Don't you know the Pullman costs about twice as much as the ordinary passenger car?

A. It costs about twice as much?

Q. More than twice as much, doesn't it?

A. I am not acquainted with the cost of Pullmans.

Q. The person riding in a Pullman has more space for him than in the ordinary passenger coach?

A. If he takes a section.

Q. He is permitted to take a section?

A. If there is room in the car, if it is not crowded.

Q. A fifteen berth Pullman is a very long Pullman isn't it?

A. I think they run them fourteen and sixteen.

Q. A sixteen berth Pullman is a very long Pullman isn't it?

A. A sixteen berth Pullman is used without staterooms or smoking room. That is somewhat longer than the Pullman with the private sections.

Q. While the berths of the Pullman cars are called double, isn't it a very rare thing to have a Pullman car occupied in that way, that is, two for each berth, making four passengers for a section. Isn't that extremely rare?

A. It depends upon whether there are ladies or gentlemen traveling. Ladies usually travel two.

Q. I am taking the average of travel now?

A. The greater portion of them are single.

7815 Q. Nine-tenths of them are single?

A. No, sir, I wouldn't say so.

Q. That is not your observation?

A. Not that, generally.

Q. I say, take the travel as a whole?
A. I wouldn't give you the per cent but most of them are single.
Q. If each berth was occupied by two, the utmost capacity of that big car would be sixty-four
A. Yes, sir.
Q. What is the capacity of a corresponding passenger coach?
A. About eighty-four.
Q. The Pullman car is pretty full when it has thirty-two in it, that is a car of that kind?
A. They consider that a very good load.
Q. Don't you average more than thirty-two on your day coaches which have seats for eighty-four?
A. You mean more vacant seats.
Q. No, don't you average more passengers?
A. Yes, I should say so, on our heavy local territory.
Q. Your Pullman car involves drawing a very much heavier burden per passenger than does your local coach?
A. A burden in which way?
Q. The burden of weight. You have got to pull more weight per passenger?
A. A Pullman car is heavier than an old style coach. There is not any question about that. But in the modern cars there is not so much difference.
Q. There are not so many passengers in it?
A. No, sir not as a rule.
Q. And it is on the through trains, as you call them, that
7816 you run your dining cars, too?
A. We have no dining cars.
Q. But isn't that true generally speaking?
A. Yes, sir, the through trains have the dining cars.
Q. And the dining car service is not regarded as a paying service, considered on an independent footing, isn't it?
A. I have had no experience with the dining service. We use dining stations altogether.
Q. You use those for your through passengers as well as your local?
A. Yes, sir.
Q. There is no distinction there between trains as to that?
A. No distinction except we have some dining stations which serve the local people almost altogether.
Q. In other words, your dining stations for local and through trains are not identical?
A. Not altogether. There are some local trains that use dining stations that the through trains do not use.
Q. In other words, the convenience of the passengers would not fix the dining station in the same place in each case?
A. That is it.
Q. You say that it takes more fuel to run a through train?
A. It takes more fuel to run the local train on account of the frequent starts and stops.

Q. That is for the same train mileage?
A. Yes, sir.
Q. Does it take any more fuel in the local service than in the through service on the passenger mileage basis?
A. Yes, sir, I think so. It takes more fuel on the passenger mileage basis.

7817 Q. Which trains make the most passenger mileage?
A. The local train, with us, makes the most.

Q. If the local train makes the most passenger mileage why do you say it takes more fuel, according to passenger mileage?
A. Passenger train mileage.
A. I said passenger mileage.
Q. I understood you to say that as to passenger train mileage it would take more fuel per mile. But how is it as to passenger mileage?
A. The local and the through passenger, as to fuel account?
A. Yes.
A. There are more local passengers than through.
Q. And more passenger mileage made on the local trains?
A. Yes, that would reduce the cost.
Q. That tends to reduce the cost per passenger mile on the local train?
A. Per passenger mile.
Q. The passenger mile gets close to the revenue basis. First, you have got more passenger miles on your local train. Second, you have got a higher rate per passenger mile on your local train, haven't you?
A. I do not know about the rate. I do not know a thing about rates.
Q. At any rate, you have more passenger miles on the local?
A. Yes, sir.
Q. Are you able to say, and have you made any calculation with a view of determining how much fuel per passenger mile is required for local service and how much for through service?
A. I have not.

Q. Granting, as you say, that the through train requires
7818 less fuel per train mile, still if the local train carries a larger passenger mileage than the through train, that factor would tend at once to overcome the first, wouldn't it?

A. Yes, sir, the more passengers the more passenger miles, of course.
Q. Yes. Now, do you know whether or not the increase of fuel account because of the greater number of stops of the local train is or is not offset by the increased passenger mileage of the local train?
A. I do not know.
Q. It is impossible for you to say whether or not it takes more fuel on the revenue basis for the local trains than the through trains, isn't it?
A. On the revenue basis?
Q. Yes. That is the basis on which I understood you to testify?
A. Yes, sir.

Q. If it be true that the average rate per mile has been, independently of the present passenger rate law, and prior to the enactment of that,—if it would be true that the rate per mile was higher for the local passenger service and the passenger mileage per train was higher, then you have two elements tending to reduce the cost of fuel in the case of the local train as against one element in the case of the through train, tending to lower the cost of fuel on that?

A. Two elements.

Q. Yes, you have two elements here when we are considering the revenue basis. Two elements in the local service. That is to say, the higher rate per mile and the greater number proportionate passenger miles. That gives you more revenue of travel and less proportion of coal revenue. In the case of the through train you have the lesser amount of coal used, because of the lesser number of stops?

7819

A. I do not know about the rates, Mr. Lehmann. I know the number of passenger miles would tend to reduce it.

Q. And the higher rate would also tend to reduce it?

A. If the rates were higher.

Q. We take that as an assumption and not as proven by you?

A. Yes.

Q. That same thing, if you have a higher passenger mileage upon your local trains than upon your through trains, then haven't you every justification for running local trains as such that you could posibly have for running through trains as such?

A. If it were not for the local business we would not run so many through trains. We do not have through passengers.

Q. But if your passenger mileage is greater on the local trains than on the through trains, you want to run them?

A. If the business is there, yes.

Q. And it is there if you have a larger passenger mileage on the train?

A. The local business is heavier on our through local train than it is on our through train, more passengers per trip.

Q. On the local than on the through?

A. Yes, sir, per mile, I think so.

Q. Then doesn't it come to this, that you make more money out of your local train than out of your through train?

A. No, sir, I think not.

Q. You have cheaper equipment on the local than on the through train?

7820

A. That does not always follow.

Q. You say you have better equipment on the local than on the through?

A. Just as good.

Q. Do you have sleeping cars?

A. Yes.

Q. On the local trains?

A. Yes, on some of them. On two or three we do not.

Q. You do a larger business on your local trains than on your through?

A. We handle more passengers.
Q. And a larger passenger mileage?
A. Yes, sir, a larger passenger mileage.
Q. Have you ever undertaken to balance up the revenue as against the cost on your two classes of trains?
A. No, sir, I have not.
Q. Your so called through trains handle purely State traffic, don't they. That is to say, they take persons from one point within the State to any point within the State?
A. Our local trains?
Q. No, sir, your through trains?
A. The through trains carry both through and local passengers.
Q. State and interstate?
A. Yes, sir, both State and Interstate.
Q. You recognize, Mr. Bethard, that of course you in your practical operation really deal only with local and through trains?
A. Yes, sir.
Q. And your local train may be an Interstate train?
A. Yes, sir.
7821 Q. And your through train may be a State train. I do not say it is, but for instance on the Burlington and the Wabash railroads it would be, that is the trains from St. Louis to Kansas City?
A. Yes, sir.
Q. And yet you would call that a through train?
A. Yes, sir.
Q. The scientific classification for purposes of railroad operation is through and local?
A. Yes, sir, through and local.
Q. And not State and Interstate?
A. That is right.
Q. On your through train you make stops at different points in the State?
A. Yes, sir.
Q. And you will carry passengers from point to point within the State, provided those points are stopping places on your through trains?
A. Yes, sir.
Q. In other words, I suppose I could go from St. Louis to Sedalia on your through train—if that is a through train?
A. Yes, sir.
Q. And from St. Louis to any point——
A. To any point where the train stops within the State.
Q. On the other hand, your so-called local trains do a great deal of Interstate business?
A. They do some Interstate business.
Q. For example, anybody going from Columbia to a point on your line beyond the State must take a local train out of Columbia, because there is no other?
A. Yes, sir.

Q. That local train is strictly local and strictly State also?
7822 A. Yes, strictly local and strictly State.

Q. And the same thing would be true from Eldorado Springs to Walkers?

A. Yes, sir.

Q. Or from Hannibal and New Franklin, I believe is the same difference?

A. Yes, sir, 105 miles, but it is nearly all local business.

Q. But the person going from Hannibal over your line to a point in Kansas would have to take that Hannibal-New Franklin connection?

A. Yes, sir.

Q. An there is no discrimination whatever as to State or Interstate travel over your local and through trains, the only thing is that you can get on at any station where either the State or the Interstate passenger train stops, and take it to either point of destination, either within the State or without the State, if the train stops at that point?

Question by the COURT:

Q. I understand your theorizing on some of your supposed cases, but on others I do not.

Take two or three instances of which I have personal knowledge. These lawyers will tell you it is often very difficult to separate what is established by evidence and that of which the Court must take judicial notice. The Court must take judicial notice of the geography of the country and of other things.

Assuming the following facts to be true—although I am not stating them as facts:

The trunk line of the Burlington Railroad is that line
7823 from Denver through Omaha to Chicago. At least that is one of these great trunk lines. Now, in Iowa on that line are the three town- of Villisca, Creston and Sheridan. From Villisca, Creston and Sheridan the Burlington on the line to St. Joseph. That is my recollection and I will assume this to be true, there are no vestibule cars, there never is any dining car, there never is any sleeping car. There are no night runs. The trains start down from these three Iowa points in the morning, get to St. Joseph about noon and then in the afternoon go back to the Iowa points. Of course there are terminals of considerable value at St. Joseph. But the towns of Villisca Creston and Sheridan are the ordinary railroad stations, the terminals of these three branches. Do you understand, the three roads coming to a "V" down here at St. Joseph?

A. Yes, I understand.

Q. Now, is the carrying of Interstate passengers across the State line more expensive than the local, each of those trains stopping at every station, and if so, why?

Now I assume there are such places over the Arkansas line and over the Kansas line, from Kansas City south. The north river business is another proposition?

A. You mean is it more expensive to carry one business than the other.

Q. Yes, and if so why?

A. I should say it would be more expensive to carry the local business, for the reason that in making the stops and providing stations and station forces——

Q. I can not understand that. Please explain it.

A. I can explain it better by taking our own railroad.

Q. I am taking these three, and I am perfectly familiar
7824 with them. I ride over them every few weeks. You can not tell where you are, except you are familiar with the country. They are precisely the same kind of trains, no dining cars, no sleeping cars, no terminals at the north end?

A. It would be cheaper for the railroads to take the passenger and take him to St. Joe.

Q. I am telling you these three trains stop at every station.

Mr. LEHMANN: I would like to take that up.

Now, Mr. Bethard, here is your Burlington line. Villisca is the western and Creston is the middle and Sheridan the eastern point. Down here is St. Joe. Now, the branch puts out from each place. They come together in the form of a "V" with the Creston line splitting the "V." You have a country of essentially the same character, an agricultural community, and practically the same kind of travel upon the three branches.

Your train starts from Sheridan, goes to St. Joe, and back the same day. The other train starts from Creston, goes to St. Joe and back the same day, over that line. The other train starts from Villisca and goes to St. Joe and back again over the same line, each day.

The COURT: All daylight runs.

Mr. LEHMANN:

Q. And it stops at every station along the road?

A. On all three?

Q. Yes, on all three?

A. I do not think there would be any difference in car-
7825 rying the State and Interstate passenger there.

Q. You have your State line running through the middle of all of them, bi-secting all three?

A. Yes.

Q. The company charges the same rate per mile over each one of those lines and between all of the points on each one of those lines: Why isn't that the absolutely equitable basis of charge in that service? Why is not the company exactly right in what it has done for all the years those lines have been in existence, charging the persons who travel over those lines in proportion to the benefit they received, and that is the number of miles they traveled on those trains?

A. That train service in there is fixed, I presume, to take care of the local business.

Q. To take care of all the business there is between those points,

between Villisca and St. Joe, that is what the Villisca train is run for, for all of the business?

A. Just one train each way each day.

Q. One train each way each day and absolutely identical service, except that your man who rides from Villisca all the way to St. Joe rides longer?

A. The train service of course is established there, and after it is once established it is just as cheap to carry one class of passengers, as the other, in that case.

Q. And your train service is established for the same reason that the railroads was built, and that is on the assumption there would be a service requiring the train, isn't it?

A. Yes, sir.

7826 Q. The men that built the road from Villisca to St. Joe built it assuming there would be a service for that road to render, didn't they?

A. Let me explain now: The service in here with all these stations making these stops, of course, the construction of these stations was for the business coming to them, principally for the State business, the local community business.

A. Now that same station takes care of Interstate as well as State business, but it is nearly all for the State business. I suppose in this case here, on account of the State line being where it is, and these runs being there, there is about as much travel Interstate as State, and perhaps more. In that case the trains have been put on for the Interstate or perhaps for the State travel. I don't know.

Q. What difference would you make?

A. It would depend on the conditions.

Q. How would the situation be affected if that State line was not there at all?

A. I don't think it would be.

Q. Absolutely no difference at all?

A. I don't think so.

Q. The apportionment of expense in that case between the travel through you would not charge the State any more than the Interstate, would you?

A. That would depend altogether on conditions. That is a condition up there I don't know a thing about.

Q. I am taking that condition.

7827 The COURT: From Moberly, Missouri, to Des Moines, on the Wabash there are local trains. Take the Chicago Great Western—of course I am not stating these things as a fact, but I have understood for many years the Chicago Great Western has not had any terminals at any great city except St. Paul. Be that as it may, and cut out the terminals of the Chicago Great Western, from Chicago to Des Moines, and take the Wabash from Moberly to Des Moines, and perhaps on the Arkansas line and the Kansas south, there may be the same situation but I do not know.

Mr. HAGERMAN: They must have terminals if they have not their own they must rent them, and there is some terminal expense.

The COURT: Is your testimony applicable to all Interstate or not?

A. It is generally applicable to all Interstate business.

Mr. JACKSON: In the case Judge McPherson speaks of the conditions are substantially as what you ordinarily call the local State traffic on those lines?

A. I should judge so.

Q. Do you mean to compare that with the general Interstate business we have been talking about, that comes from St. Louis and goes into Oklahoma and Texas?

A. No, sir.

Q. What would be, in your judgment, the relative proportion of that, taking the railroad situation generally, in such cases as that, with an aggregate amount of business, very considerable or insignificant?

7828 A. Very insignificant, I should say.

Q. Even in that case, when you compare the part of the business that is state and interstate, isn't it a fact when you leave the Iowa point and go to St. Joe, one of those terminals is not common to the state of Iowa?

A. Of course, the terminal.

Q. The part that stops north of Iowa line is two and that which goes to St. Joe is one?

A. Yes, sir.

Q. Which traffic is responsible for maintaining the greater stations, the local or through?

A. Nearly altogether the local.

The COURT: Why?

A. Because the local is so much heavier. We put up the depots at the local stations on account of local business. We have a great many stations where perhaps we would not sell an interstate ticket for months.

Mr. LEHMANN:

Q. You have said what has been said a number of times. You said you put up your local stations on account of the local business. Don't you put up the big stations for the interstate business? Why do you lay stress on the fact that you build the stations at the little country towns as though that was something peculiar. You built the big stations, for the big towns and the little stations for the little towns, and doesn't it all come to the same thing?

A. If we were doing interstate business exclusively we would have considerably less number of local depots.

Q. And if you did that you would have a considerably less 7829 number of the local depots.

Q. And if you did that you would have a considerably less amount of Interstate business: Is that true?

A. There would be some less.

Q. How would you have the Mississippi River if you did not have the little streams to make it up?

A. That is true.

Q. How would you have any Interstate business if you did not

have the sum of the local business that goes to make up the Interstate business?

A. That is true.

Q. The truth of the whole matter is simply and plainly this: You provide facilities wherever you have business?

A. We provide facilities in many places where we have but little business.

Q. Where and why?

A. Because the State laws insist on it.

Q. How do the State laws affect this passenger business and the facilities for that, and how many facilities have you in the State of Missouri that you have provided because the State laws required it, and which if the law were repealed you would not keep?

A. We have stations at junction points of railroads.

Q. How many have you of such in the State of Missouri?

A. I think about three or four.

Q. What is the expense of maintaining those, per year?

A. About eight or nine hundred dollars.

Q. Each?

A. Yes.

Q. *They* are from twenty-seven to twenty-eight hundred
7830 dollars on extra stations:

What other facilities have you that are compulsory and worthless?

A. I think the State law of Missouri requires a side track to all industries. We have to construct those where there is an industry to a station we must put a side track to it.

Q. Where there is an industry you get business out of it don't you?

A. Some industries it is not necessary to have side track facilities.

Q. Have you many of those?

A. Yes some.

Q. How many?

A. I have not counted them up. I do not know.

Q. Besides that would not apply to the passenger business?

A. No, sir.

Q. We are talking about the passenger business.

Taking the passenger business, you have your three stations that cost from twenty-four to twenty-seven hundred dollars per year for the three. What other facilities have you for handling passengers in the State of Missouri, under compulsion of law, which are unprofitable?

A. I do not recall now. There is expense however in keeping these stations open. The law requires the station kept open for all trains, and lighted and heated whether there is any business or not, which forces us to employ night men where we would otherwise not have them.

Q. The Interstate business gets the benefit of that, as well as the State business?

7831 A. A large proportion of that is State.

Q. But the Interstate business gets the benefit of it?

A. Yes, sir.

Q. And that is in the nature of a police regulation. You do that just exactly as you put on safety couplers and air brakes, don't you? You are required by law to keep your stations heated, aren't you?

A. Yes, sir, and lighted.

Q. And you are required to have a safe platform, so people may not get hurt?

A. Yes, sir.

Q. Do you mean to say you would not do those things except under compulsion of law?

A. In a great many cases we would not, because there is no necessity for it.

Q. That is, in the judgment of the company.

You put on your air brake on freight trains, and automatic couplers, under compulsion of law?

A. Yes, sir.

Q. The company thought there was no necessity for them.

(No answer.)

Q. When a railroad is built, it is built under the assumption that there will be service for that road?

A. Yes, sir.

Q. Can you imagine anybody building a line of railroad from Villisca to St. Joseph, where they would not contemplate in the beginning way stations, and the more the better?

A. I would not say the more the better. They located them where they expected to get business.

7832 Q. And they more requirement for them the better?

A. Yes, sir.

Q. You would rather have fifty stations between those two points than ten, if there was requirement for them?

A. Certainly.

Q. From the very beginning, as the road is projected, it contemplates both passenger and freight service over it, doesn't it?

A. Yes, sir.

Q. And that service is equally for the benefit of that which goes all the way from Villisca to St. Joseph as that which goes from one point to another point between the two terminals, isn't it?

A. Yes, sir.

Q. And isn't the difference in the cost on the passenger mileage basis absolutely, you may say identical, and is not that the reason that the railroad company left to itself, unhampered by law, uncontrolled by competitive conditions, makes the same rate per mile, under conditions of the kind here indicated?

A. I can not answer that question.

Questions by Mr. LADD:

Q. Mr. Bethard, I understood you to say that these stations on the road that were mentioned, from St. Joe up to points in Iowa, were placed there for the benefit of the State business: Is that correct?

A. Principally so.

7833 Q. Do you know whether it is or is not a fact, generally speaking, in this State—and I will ask you about your own

road particularly—that these facilities are provided at these stations not only for passenger but for freight business?

A. Yes, sir.

Q. At small stations both classes of business are transacted in the same building, aren't they?

A. Yes, sir.

Q. Isn't it a fact that at practically all, I will say very nearly all of these stations, the amount of Interstate freight handled is very largely in excess of the State freight, in tons?

A. I should say not.

Q. You would say not?

A. I would say not.

Q. Have you ever looked into that?

A. Not especially, but just from observation.

Q. That is your opinion isn't it?

A. Your question is that the Interstate business is the largest at the local stations?

Q. Yes.

A. I expect that would break about even.

Q. That the local stations handle as much Interstate freight in tons as they do of State freight?

A. I haven't thought of that particularly, but I believe it would be pretty nearly even.

Q. Then so far as the freight business is concerned these
7834 stations are established as much for the benefit of Interstate as for State business?

A. No, sir, they are put there not for the State business but to accommodate the community.

Q. If the Interstate freight handled at those stations is equal in volume to the State freight, why isn't it true that those stations are established for the benefit of the Interstate freight equally with the State freight?

A. If the business is equal, that would be true.

Q. You say you think it would be about equal?

A. That is my impression.

Redirect examination by Mr. JACKSON:

Q. You would not put a passenger waiting room for Interstate freight business?

A. No, sir. And we have some separate passenger stations.

Q. Outside of St. Louis and Kansas City, which traffic in Missouri gets the benefit of that?

A. The State traffic.

Q. Almost entirely?

A. Yes, sir.

Q. This illustration Mr. Lehmann came back to again, up near St. Joseph, are the conditions there comparable to the conditions which apply to the great bulk of the Interstate business, or otherwise: Those conditions along those local lines I mean?

A. Those conditions are unusual.

Q. Mr. Bethard, have you had occasion to notice in regard
7835 to the wages of the men employed on the road, in the last few years?

A. Yes, sir.

Q. Does that come especially under your jurisdiction?

A. Yes, sir.

Q. The matter of the transportation, with which you are practically constantly dealing?

A. Yes, sir.

Q. State whether or not there has been in the past few years a great deal of increase in the wages of the men operating the railroads?

A. There has been a great increase in the last four or five years.

Q. About what, if you are able to state, is the increase at present over what it was four or five years ago?

A. Between thirty-five or forty per cent.

Q. In what period?

A. In about four years.

Q. There has been that increase in the volume of wages you pay out?

A. Yes, sir.

Q. Is that done all over the State?

A. Yes, sir.

Q. Applying to all railroads?

A. All lines made about the same increase. It was a uniform movement.

Q. Have you been able to state, in corresponding percentages, the increase in other elements of cost, such as material and
7836 so on?

A. There has been an increase but I do not know what per cent.

Q. Are ties higher than they used to be?

A. They are higher, but I do not know to what extent.

Q. And so with other matters?

A. Yes, sir.

Q. Are you able to state the per cent outside of the labor question?

A. No, sir.

Q. That you are peculiarly informed about?

A. Yes sir.

Recross-examination by Mr. LEHMANN:

Q. That matter of pay we can make definite and certain. You say this rise began four years ago?

A. I think it was four years ago.

Q. Say January, 1904. Can't you give us a statement? You keep a payroll?

A. We have payrolls, yes.

Q. Won't you please have someone in your office give us the payroll for say January, 1904, with the number of men in the service. And a like statement for July, 1904?

A. I do not think we keep the number of men separately in the different services. You mean the total service?

Q. Yes, the total.

A. I had reference principally to the train service when I answered that question.

Q. My reason for saying the total service is that I did not
7837 want to put you to the trouble of sub-dividing too much.

Mr. JACKSON: You mean the total both State and Interstate?

Mr. LEHMANN: I presume the increase has not been bounded by State lines. I wanted to make it the simpliest way. If not I will accept any suggestion.

Mr. HAGERMAN: What you want is to get in the simplest way the difference between the wages then and now?

Mr. LEHMANN: Yes, a statement January and July of each year, beginning with 1904, and the number of men in the service?

A. I think we have a statement which will give you an idea of what the increase has been, the total amount of money and the per cent, but not for those months. If we have it already made up that will answer, will it?

Q. Certainly it will.

A. I think I have a statement showing the total amount in dollars and cents and the business.

Q. Beginning with what time?

A. I think it covers four years.

Q. The last four?

A. Yes.

Q. That will be satisfactory?

A. I will send you that.

Questions by Mr. KENNISH:

Q. Except at intersections with other railroads, the State does not require you to maintain a station for freight and passenger,
7838 unless the population of the town is a certain number, does it?

A. I think that is correct.

Q. And if the town has not that population you are not required to maintain a station for either kind of business, are you?

A. I am not qualified on that.

7839 W. T. TYLER, a witness of lawful age, being duly produced, sworn and examined, on the part of the complainant, testified as follows:

Direct examination by Mr. FRANK HAGERMAN:

Q. What official position do you occupy?

A. General Superintendent of the Second District of the St. Louis and San Francisco Railroad.

Q. What is the Second District of the St. Louis and San Francisco Railroad?

A. It comprises the main lines from Kansas City to Birmingham, Alabama. And the line from Ft. Scott, Kansas, to Afton,

Oklahoma. From Pierce City, Missouri, to Ellsworth, Kansas. Beaumont, Kansas, to the Texas state line, crossing the Red River, on the main line going to Vernon, Texas. And from Tulsa, Oklahoma, to Avi, with the various branch lines.

Q. About how much mileage is that?

A. Approximately two thousand, a little over two thousand.

Q. Under your direct superintendence and direction?

A. Yes, sir.

Q. How long have you been engaged in the railroad service?

A. Over twenty-five, nearly twenty-seven years.

Q. What were the particular branches of the service through which you have been and how long have you been in your present position?

7840 A. My experience has been as telegraph operator, train dispatcher, brakeman, conductor, switchman, yard master, train master, superintendent, general superintendent.

I have been in my present position with the St. Louis and San Francisco railroad a little over two years. I began with the Frisco July 1, 1906.

Q. And prior to that time what roads were you with?

A. I came from the Louisiana and Arkansas to the Frisco. I was general manager of that line for about six months. Prior to that I was with the Iron Mountain for a little over five years. I was in the position of general superintendent there about four years. Part of the time I was division superintendent of the Iron Mountain Railroad.

Q. Can you state what is the fact as to whether there is or is not an increased cost or expense of doing the State freight business over the Interstate?

A. Yes, sir, there is.

Q. And as to the State passenger over the Interstate passenger, is there an increased cost?

A. There is an increased cost.

Q. Did you hear the testimony of Mr. Doddridge and Mr. Gray, given here at some length?

A. I heard a part of the testimony of both those gentlemen. I was out of the room some of the time.

Q. Give some of your reasons for saying that there is an increased cost of doing the State and Interstate business?

7841 A. Well, the cause of the increased cost, principally, in my judgment, is due to the lesser volume and shorter haul and the requirement of the service.

Q. Are you differentiating in your mind now between passenger and freight: Would you prefer to give these reasons separately as applying to each service?

A. The same conditions apply generally to both passenger and freight.

Q. That is the same conditions apply although the extent of difference in cost may be different?

A. Yes, sir, but the volume and the length of haul have more to

do with it in my judgment than anything else, in the case of both freight and passenger.

Q. The question of terminal cuts some figure, the loading and unloading at stations?

A. I mean to cover that generally when I say difference in length of haul.

Q. Take your Interstate business and it practically divides itself into two classes, what has been termed here trans-state, that is where it is a passenger or property starting from a point outside the State and destined to a point beyond the State, going clear through?

A. Yes, sir.

Q. And the other classification would be where the point of origin was in the State and going out?

A. Yes.

Q. Or vice versa?

A. Yes, sir.

7842 Q. By State business I mean where it starts and ends within the State?

A. Yes. There may be Interstate, of course there is strictly Interstate business that does cost the same as the strictly State business, because it is a short haul, and the fact that a State line intervenes beween the point of origin and terminal of that particular shipment of freight or that particular passenger, would have nothing to do with the cost of making the movement.

But strictly State business is necessarily a shorter haul, on the average, than the trans-State or the general run of Interstate business.

Q. I assume outside of the expense of terminals being great or small, double the expense of the State business, there may be classes of State business where there would not be more expense in one case than in the other. I want, taking everything into consideration, your entire business, every thing just as it is done, your estimate upon the whole situation of how much more it costs to do the State than the Interstate business, freight first?

A. Freight, I think the difference in cost is somewhere between three and five times as great. I would say nearer five times than three, on the general average.

In the case of the passenger business I consider it to be between thirty-five and forty-five per cent greater in the case of State than in the case of Interstate business.

Q. How, in your judgment, would this opinion apply

7843 generally to the lines in Missouri?

A. Those lines in Missouri with which I am at all familiar I think the same condition would apply.

Q. Generally, you are acquainted with the railroad situation though in detail you may not be as well acquainted with one railroad as with another. But do you think that would be a fair estimate, taking the entire railroad situation in Missouri?

A. I think it would be, yes.

Q. Has there ever been put in operation practically by railroads, or put in operation by the practical operation of railroads, any sys-

tem by which you can measure results upon the ton mile basis, allowing for the different classifications or kind of property, and for the waste space?

A. No, sir, not that I have ever heard of.

Q. So, as some witnesses described it, while the ton mile basis can be used as a method of comparison, you do not use it as a measure of comparison as between different roads or between different divisions upon some one road?

A. No, sir, nor for a comparison of operation of the same piece of track or operating districts, as we call it, as between two different months.

Q. Where there is practically the same kind of trackage and the same kind of grades, and conditions on the road?

A. It will vary to a great extent on the same division, the same district or the same stretch of say one hundred miles, one month with another.

7844 Q. Why is that?

A. It is because the cost per ton mile or per one hundred ton miles varies with the volume and the direction of your business.

Now, I use the cost per one hundred tons per mile in connection with the cost per train mile, for comparison.

As one goes up, ordinarily the other comes down. And those two methods of measurements are usually taken together in order to reach the highest point of efficiency in operation.

The cost per ton mile on a given district or division may be low this month, because the volume of business has been high and it has been evenly balanced as between traction. So your locomotive- in moving back and forth have had approximately a full load in each direction. The next month your total volume of business may be the same, but it has been in one direction. That is, the preponderence has been in one direction.

So your locomotives have had to return with less than a load. Hence your cost would be greater. You have had to perform a greater number of train miles in order to obtain the same number of ton miles.

Those two measures are the best we can get for measuring operating results and efficiency.

Q. They are methods of comparison?

A. Yes, sir. But they are never used except to compare the same piece of track, one month with another or one year with another, and then they are always taken in connection with the vol-

7845 ume of business. Otherwise they are worthless.

Q. So these figures or estimates you have given have been given upon the revenue basis of division?

A. Well, I don't know that I would want to say even that they were upon a revenue basis. Because that would involve the percentage of expense to earning, a matter that I am not responsible for at all and that I do not give more than the same attention to that I would any of the other statements issued from time to time, and with which I am not concerned.

A. That is, your particular attention is given to the operating part?

A. Yes, sir, purely and entirely.

Q. And what you mean to say is that it is your opinion of the extra cost, leaving it to anybody to determine what is the accurate way to determine it?

A. Yes. The extra cost to perform a certain service whether you get anything for it at all or not. Whether it has any revenue.

Q. Is there any known method or way in the practical operation of a railroad by which an accurate account of the expenses, as between State and Interstate, is kept?

A. No, sir.

Q. Why is it practically impossible to do that, Mr. Tyler, why are we left in this situation, that we give all the expenses in the safe and then we must resort to some theory as to how to divide it?

Mr. LEHMANN: I object to that mode of examination, as-
7846 suming it is impossible. I do not concede for a moment it is not possible. You simply have not done it. That is unfair to assume that.

Mr. HAGERMAN: I understood him to say it is impossible.

A. I believe it is impossible. It is absolutely beyond the possibility of any man to measure it.

Q. Now that you have said this, why is it impossible in the practical operation of the road to do it accurately and definitely?

A. There are too many items enter into it that you can not divide as between the different classes of services.

Q. What you call local trains as distinguished from through trains, without regard to State line, they may or may not cross the State line.

A. Yes, sir.

Q. Is or is not the business done upon all kinds of trains?

A. It is done upon all kinds of trains, yes.

Q. I do not know whether Mr. Gray testified in detail as to that but I am inclined to think he did, but any way you repeat on your Second Division what are the branches or divisional points you have upon that in Missouri?

A. I have only a small part of the Missouri mileage.

Q. The part of the road in your division?

A. My mileage in Missouri is approximately four hundred and fifty but I am familiar with all of the Frisco mileage in Missouri, with the exception of that short distance from Monett to the
7847 State line near Seligman on the line going into Arkansas. That is the only part I am not familiar with.

Q. That probably answers what I had in mind. I was going to lead up to your familiarity with the entire situation.

A. Yes.

Q. So your testimony particularly applies to the Frisco road in Missouri?

A. Yes, sir, I am familiar with all of it.

Cross-examination by Mr. FRED LEHMANN:

Q. You say you keep an account of cost per ton mile and train mile operation?

A. That is kept by the accounting office and furnished to the General Superintendent and others.

Q. You in turn, or, rather, in advance, furnish them the data upon which they make that accounting?

A. A part of it. They gather that up from the different departments.

Q. Yours is about as important a one as they have to deal with in that respect, isn't it, Mr. Tyler?

A. Yes, sir, I think so. Perhaps the greatest part of it—yes, no doubt the greatest part is on that over which I have control.

Q. You furnish the material in the first instance, and they combine that with the material of other departments of the service?

A. Yes, sir.

Q. And then turn back to you a detailed or tabulated statement showing results?

7848 A. Yes, sir.

Q. The cost per ton mile of operation and the cost per train mile of operation?

A. Yes, sir.

Q. Have you those statements of the ton mile and train mile cost with you?

A. I have one here for the year, last year.

Q. What do you mean by last year?

A. The fiscal year ending June 30, 1908.

Q. You have none for the fiscal year ending June 30, 1907?

A. No, sir, not with me.

Q. Will you kindly let us see the report for the fiscal year ending June 30, 1908?

A. (Witness produces paper.) This shows simply the freight.

Q. There is a similar statement as to passenger?

A. Yes.

Mr. HAGERMAN: Isn't it in the annual report?

A. It is all in annual report.

Mr. LEHMANN: This sheet you have just handed me, is that comprehensive of your whole Frisco System?

A. Yes.

Q. And then it is divided here into your district?

A. Into districts, into operating divisions and in some cases again into accounting districts.

Q. But not into State?

7849 A. No, sir, not into States.

Mr. HAGERMAN: The annual report has the sum total of this detail, which is included in the annual report?

A. Yes, sir, and there is this difference. This statement (indicating) purports to show the cost of freight operation only, and the division of the expense as between freight and passenger is arbitrary. Not exactly correct nor not necessarily in accordance with the exact cost of performing either, but it is the same each month.

It is divided on the same basis each month and hence we use it as a measure of efficiency of operation. It really is not of value as showing the real cost of the service. It is simply a measure to enable us to get a little closer to cost of operation.

Mr. LEHMANN: I want to ask you about the general nature of this paper. For example you have here three districts. Those districts together make up the entire Frisco System.

A. There are four shown there. The Texas lines are shown separately.

Q. The three districts and the Texas lines make it up?

A. Yes, sir.

Q. Under the head of "First District" I find the Eastern Division the Central Division, the Southwestern Division, and the Red River Division?

A. Yes, sir.

Q. That is the separation there is it?

A. Yes, sir.

7850 Q. And those make up the First District?

A. Yes, sir.

Q. You have here the Eastern Division of the First District, subdivided into St. Louis and Monett accounting division- No. 1 and 2. The Knoche Junction to Springfield, accounting division No. 3. That makes up the total of the Eastern Division?

A. Yes.

Q. Is either one of these accounting divisions of the Eastern Division of the First District wholly within the State of Missouri?

A. Yes, sir, No. 3.

Q. No. 3 is wholly in Missouri?

A. Yes.

Q. Is there any other sub-division shown here in any of the districts which would give us a portion of the road wholly in Missouri?

A. No, sir, there is not.

Q. Accounting Division No. 3 of the Eastern Division——

A. I beg your pardon, the line St. Louis to Monett is wholly in Missouri.

Q. Then the whole Eastern Division of the first district is wholly in the State of Missouri, isn't it?

A. Yes, sir, I think it is all in the State of Missouri.

Q. That means then the entire Eastern Division of the First District?

A. Yes, sir.

7851 Q. Is there any other distinctive sub-division that is wholly within Missouri?

A. No, sir, there is not any other.

Q. You show here your ton mileage. Your ton mileage being tons carried one mile, including company freight, this year and last year.

You deal entirely with fiscal years ending the 30th day of June of each year?

A. Yes.

Q. There is a diminution in the volume in 1908 over 1907?
A. Yes, sir.
Q. That I take it was due to the general depression of business which followed after October, 1907?
A. Yes.
Q. Now you have freight train and car mileage. There is a loss this year also in that?
A. Yes, sir. But now you are getting mixed up as between freight trains and cars. Shall I read this for you?
Q. Yes.
A. The first is train mileage this year and train mileage last year. This shows a reduction this year as against last year. The next is, loaded car mileage last year and this year. That also shows a reduction.
The next is empty car mileage this year and empty car mileage last year. That is a very heavy increase.

Q. Now I was going to ask you about that, but I took a
7852 general head as being a sub-head?

A. Yes.
Q. That loss of train mileage and loss of loaded car mileage and increase of empty car mileage for the year 1908 over that of 1907 you would attribute of course to the general depression of business?
A. Yes, sir.
Q. What is this next?
A. Mileage used in arriving at miscellaneous averages (these are shown here) is simply a formula.
They take, for instance, in arriving at estimated car miles for the purpose of comparison, they use two empty car miles to equal one loaded car mile. So if one division is obliged to haul a great many empties and a few loads, he will get the benefit for comparison down here (indicating) of those empties, in determining what it cost him to move an average loaded car a mile.
That, too, does not spell anything except to compare one month with another.
Q. Now, Mr. Tyler, you have some account of the actual number of loaded cars hauled?
A. Yes, it is here.
Q. Under the head of freight train car mileage, you give the actual figures?
A. Yes, sir.
Q. Under the head of arriving at miscellaneous averages you use the formula which you have suggested, in which you treat
7853 two empties as the equivalent of one load?

A. Yes, sir, but it is only as down here, miscellaneous averages. It has nothing to do with the figures under Sections 1 and 2, being the average cost in cents for freight train mile for operating expenses; and the average cost per one hundred tons, including company material, per mile, for operating expenses.
The actual figures of car mile, both loaded and empty, and train mile, are used in arriving at the cost per car and per train mile.
But under the miscellaneous averages at the foot of the statement

is taken these figures here (indicating) which in fact—well, I never referred to them. I don't know that I ever looked them over.

Q. This is about the truth of the matter: Under the head of miscellaneous averages you are testing the relative efficiency of your subordinates?

A. That is it.

Q. And they being operators, pure and simple, and not traffic men, you can not test them by revenue or anything of that kind, but simply by the haul. You test them by the expense they incur in doing a certain amount of work, whether that work is productive or unproductive?

A. That is the idea.

Q. That is why you *to* balance up two empties against one loaded car?

A. Yes, and that is really the whole purpose of the state-
7854 ment you have before you. It may or it may not be correct. Of course it is accurate, but it may or may not be correct. A correct measure of the cost. My judgment is it is not always a correct measure of the cost. But it is the same measure each month. So you can know whether the operation of a certain division is improving or getting worse.

Q. You do not mean to say it is not correct in any way, but you are not sure it will fit the particular inquiry we may have. But it is correct for its purposes?

A. Yes, for its purposes it is correct.

Q. But it may not fit our purposes closely?

A. No, sir, that is not what I mean altogether. I say, I believe it is accurate. It is made up correctly. It shows correctly what it purports to show.

Q. Precisely. But that may not fit the purpose of this inquiry?

A. That is the idea.

Q. None the less it conveys certain information, and that information, the facts that it states, are to be depended upon.

For example, this entry, train mileage this year, that we can depend on?

A. Yes, sir.

Q. That is a statement of a fact. And here under your head of miscellaneous expenses it indicates right on its face that it is not an accurate statement of the fact, because it says "Average cost
7855 in cents per estimated loaded car"?

A. Yes, that shows what it is.

Q. What details of expenditure have we here, Mr. Tyler?

A. The same as are shown in the annual report. In both cases you have station service, yard service, road engine service, train service, other transportation expenses. Traffic expenses, maintenance of way and structures, maintenance of equipment, and general expenses. Those are the Interstate Commerce Commission requirements.

Mr. HAGERMAN: Any taxes or rental?

A. No, sir.

Mr. LEHMANN: No rental in here?

A. Yes, sir, under general expenses and under yard operation there is rental.

Q. That does not include rental in the way of rentals you pay a local line you operate?

A. No, sir.

Q. I presume not, from the figures?

A. No, sir, it is not in there.

Mr. HAGERMAN: There might be a short piece of track?

A. No, sir. It might in the case of rent of terminals. It has been suggested that a certain road had no terminals, but it would have to rent a terminal from another line, in which case that rental would be a terminal operating charge.

Mr. LEHMANN:

Q. And that would be shown here?

A. Yes, sir.

7856 Q. You have here in the Eastern Division of the First District, included the expenses of the St. Louis terminal?

A. I don't know whether they are included in there or not. I am not sure of that.

Q. It might be of some material importance, Mr. Tyler. You of course have some terminal facilities there in St. Louis as you have your own yards?

A. Yes, sir.

Q. And you also make extensive use of the Terminal Railroad Association's facilities?

A. Yes, sir, but our use of the yards of the Terminal Association for freight purposes and for purposes of Interchange would not be included in this statement?

Q. It would not?

A. No, sir.

Q. Take an expense of this kind, Mr. Tyler: Suppose the St. Louis Car Wheel Company, which is located upon the tracks of the Missouri Pacific Railroad I think, want to ship over your road, as it does sometimes. Can you get to that or them to you without the intervention of the Terminal Railroad Association?

A. No, sir. And the switching charge which would be paid to the Terminal Railroad Association, whether it be paid by ourselves and not added to the freight charges or paid by ourselves and added to the freight charges, would not appear in this statement.

7857 Q. As a rule, take a case of that kind, an industry in the City of St. Louis, not located upon your tracks, which would involve the intervention of the Terminal Railroad Association in going out on the road haul, over your lines, you do as a matter of fact absorb the switching charge?

A. I don't know but if we did it would not appear on this statement.

Q. The only thing appearing here would be the expenses incident to such terminals in St. Louis as are your own property?

A. Well, I am not sure as to that. I am not sufficiently versed in that accounting feature.

I will call your attention however to the fact that there is a seperate terminal statistic over here (indicating) for measuring in a crude way the expense of handling cars in the terminals at Kansas City and St. Louis. That, however, is not at all accurate and it does not include all of the expenses.

Q. It does not include all of them?

A. No, sir.

Q. How is this stated. It is in cents?

A. Yes, sir, cents per car.

Q. St. Louis Terminal, cars handled.

The station expenses 29.20.

Yard service 43.43.

Engine service 12.03.

Other transportation expenses 3.56.

Total transportation expenses 88.22 cents.

7858 Maintenance of way and structure 4.54 cents.

Making a total maintenance of way and transportation expenses of 92.76 cents.

That is put down there as the expense per car of your terminals, isn't it?

A. No, sir, not at all.

Q. That is all I find there?

A. I explained to you it is not the expense of the terminal.

Q. What would you add to that?

A. This covers cost in wages and material for operating the freight terminal. For instance, in station service is included the wages of the men employed about the freight station. That is, the men who have to do with the handling of the cars. Not the brakemen but others in the freight houses.

In yard service is included the yard master and the switchmen and the car clerks who check the cars in and out.

Q. And the engine crew?

A. No, sir, we will get to that later.

The engine service includes the engine crew.

"Other transportation expense" is about the same as in the Interstate Commerce requirements, so far as it could be determined which part belongs to terminals, such as casualties and damages and so on.

Then maintenance of way structure, that is the truckmen employed about the terminals.

7859 Q. That leaves out what item?

A. It leaves out any rentals.

Q. I would not include that as an operating expense in my own view. That is to say, if you own the yards of course you are entitled to a return upon them. But leaving out anything in the nature of a return upon the investment, I mean.

A. But I believe the Interstate Commerce Commission requires that you include that.

Q. But we are getting at now the operating expenses. For example, does this include repairs on anything. The keeping your engines up?

A. No, sir, it does not. *In*tenance of equipment would be very heavy.

Q. That is an element I would say would properly come within operating expenses?

A. Yes, sir. Then the terminal proportion of general expenses is not included. There is no item of traffic expenses included in there.

Q. What do you mean by that, getting business?

A. I don't know just exactly what that traffic expense is. I don't have anything to do with that part of the business. That would be a small item, any way.

Q. Small as related to the terminal charge?

A. Yes, sir.

Q. Your maintenance of equipment and possibly your general station expenses, are the only things not covered here, in what
7860 I would regard as operating expenses. I think we would all agree to exclude rentals.

Mr. HAGERMAN: Yes, unless paid for a railroad.

Mr. LEHMANN: I agree with you on that.

Mr. HAGERMAN: Any part on earth should be included. Whatever they pay out as rent for a track, whether one mile or one thousand miles long, it is a part of the operating expenses, according to our contention.

Mr. LEHMANN:

Q. Well, at any rate it is not in this statement.

You have the number of cars handled. You have in Kansas City a larger number of cars handled than in St. Louis?

A. 484,593 St. Louis.
622,944 Kansas City.

Well, at Kansas City there is quite a heavy switching line. Switching and interchange between lines and other lines and industries. That probably accounts for that.

Q. I notice the station service is higher at St. Louis than Kansas City, notwithstanding the greater number of cars handled at Kansas City: To what would you attribute that large relatively greater cost for station service at St. Louis?

A. It is attributable to the local conditions of that terminal as compared with the Kansas City terminal. You cannot compare terminals any more than you can compare different sections of the same railroad, for operating purposes.

7861 Q. What are those differences?

A. It may be because the St. Louis terminals are scattered over a greater territory.

It takes a larger number of men to supervise the work there than it would where the terminals are more condensed and covered a less territory.

Q. And where the terminals are scattered there it would make greater engine cost per car also?

A. Yes, because you would have to move the car further.

Q. The engine cost—that is what struck me—seems to be greater

per car in Kansas City than in St. Louis. It is 2.03 cents per car at St. Louis and 2.25 cents per car at Kansas City, with a much greater number of cars handled at Kansas City. So I should assume that the disparity of conditions was not in the feature of more extensive or scattered territory?

A. It is true I think that St. Louis terminals are more scattered. Let us see how it compares in yard service. It is very much higher again.

Q. Yes, very much higher.

A. I think my first opinion covers it correctly. That it requires, on account of being more scattered in St. Louis, considerably more supervision and the particular end of the business they handle there might have something to do with that. I am not sure of that.

7862 The engine service, I do not exactly understand. It would seem to me the engine service should be higher in St. Louis than in Kansas City. I am surprised at that. I had not noticed it before.

Other transportation expenses run about the same.

Q. Yes, very close.

A. Yes. But maintenance of way and structure run two cents per car less for St. Louis than Kansas City.

Q. What would you attribute that to? Wouldn't you rather think that like the engine service, if the terminals were scattered each car would have to run over more track and it would cost more per car to maintain way and structures?

A. That would depend considerably on the physical characteristics and the physical condition of the track.

Q. You are familiar with both of them are you?

A. Not with the St. Louis terminals I am not. With the St. Louis and San Francisco Railroad terminals in St. Louis I am not familiar. I am with the Iron Mountain.

Q. There can not be any great difference in them. They both lie in the Mill Creek Valley. You take the freight house of the Frisco road and the freight house of the Missouri Pacific and what I suppose was your general offices in St. Louis, there on Seventh Street. I take it in the early days what you now use purely for a freight house was once your general offices?

A. Yes.

7863 Q. They are right there by what were originally the Missouri Pacific general offices. I assume that is true.

A. I don't know about the Frisco general offices.

Q. Don't they lie right along side in the Mill Creek Valley there, and on a level.

A. They extend out to my knowledge some nine or ten miles.

Q. They extend out beyond Cheltenham?

A. Yes.

Q. And still all along the Mill Creek Valley?

A. Yes.

Q. So you have a practically level service throughout your terminals?

A. Yes, sir.

Q. And about nine miles long?
A. Yes.
Q. And you think longer than here in Kansas City?
A. Yes, sir, our terminals in Kansas City extend only from 12th Street to Southwest Boulevard at the point where it crosses our track at Rosedale.
Q. And in St. Louis you have industries located all along your road there?
A. I am not familiar with the situation of the industries on the terminal tracks there.

At this point recess was taken until two o'clock.

After recess on Saturday, November 14, 1908, the following proceedings were had:

7864 Cross-examination of Mr. W. T. TYLER continued.

By Mr. LEHMANN:

Q. You have to do with expenses rather than with revenue?
A. Entirely with expenses and not at all with revenue.
Q. You are the costly man?
A. Yes, sir, I am the costly man.
Q. Expenses are incurred regardless of the revenue received?
A. Yes.
Q. Expenses are prior, in point of time, to revenue also? That is, you incur the expense before you get the revenue?
A. Largely so.
Q. Of course in regular running of a railroad you are incurring expenses in getting in revenue?
A. Yes, but I mean with reference to the identical service sometimes you get the revenue first?
Q. But in the main you are incurring the cost, your maintenance of way and all that goes on regardless of your getting in any revenue at all?
A. Yes, sir.
Q. This statement, I notice its designation fits just what I have been saying "Office Auditor of disbursements, St. Louis, Missouri, August 10, 1908?"
A. Yes, sir, that is it.
Q. There is in this no differentiation between the State and the Interstate?
A. No, sir.
7865 Q. And not even between local and through?
A. No, sir.
Q. It deals with the sum of all kinds of traffic?
A. Yes, sir, and all kinds of commodities.
Now, if I may be permitted, we were on the subject of the terminals and I had not finished answering the last question you asked.
Q. I do not mean in any case to interrupt you Mr. Tyler.
A. I just do not want to get away from the last point brought out, on the question of terminals.

Q. Very good.

A. Your question was, whether or not this figure 92.76, shown as the total cost of handling cars in the terminals was approximately the entire expense of that terminal.

Now in fact I believe it is a small part of the total expense of that terminal and some of the items that are not included there, that come to my mind now, are the maintenance of equipment—that is, the repairs to cars.

Mr. HAGERMAN: That is not in the terminal cost you figure there?

A. No, sir, that is not in that figure.

In other words, the repairing of cars that are damaged in that terminal. That is a very large item because by far the biggest part of our car damage occurs in the terminals and more especially with the large terminals. The terminal damage is very much greater by any unit you may figure out than the road damage to equipment.

7866 Mr. HAGERMAN: Let me understand that as we are passing. Do you mean none of the maintenance of equipment item- is included in that cost at all?

A. No, sir, there is no maintenance of equipment in there at all.

Q. That is all right. Because I see the expenses are divided and maintenance of equipment is a separate thing?

A. That is in reference to road expenses.

Q. About twenty per cent in passenger and twenty-five per cent in freight?

A. Yes, sir.

Mr. LEHMANN:

Q. But here in this statement is not given as to terminals expense?

A. Yes, sir, we are talking about terminal expenses at Kansas City and St. Louis, as given in this statement (indicating).

Q. But none of the expenses given in the general expenses for maintenance of equipment are in there at all?

A. No, sir.

I want to cover another point:

Repairs to locomotives engaged in switching service. That is not included. What is shown as engine service is simply the salaries.

Q. Of the engine crews?

A. Yes, sir.

Damage to freight is not included there.

7867 Mr. HAGERMAN: Under what head of your general subdivision does the damage to freight come?

A. Under sub-division miscellaneous expenses chargeable under the Interstate Commerce Commission formula to "Conducting transportation."

Q. Under the head of "Conducting transportation"?

A. Yes, sir.

Mr. LEHMANN: That is not in this particular statement at all?

A. No, sir.

Q. We are confining ourselves for the present to the yard statement?

A. Yes, sir. Now that is also a very large item of yard expense, loss and damage to freight. Loss by reason say of robberies, that occur in your big terminals, because you are not able to police them as efficently as you are your small terminals.

Then the cars lay around on the side track and at industries, and you are responsible for them until delivery is effected.

Now, as to damage, the greatest damage to freight is in the process of shipment. Boxes and barrels are knocked over and damaged. That is a big item of expense in the terminal, which is not chargeable there.

Q. Your greatest loss, however, from thievery, is in the large cities?

A. Yes, sir, in the terminals, while the cars are standing still.

7868 Q. And that means in the large cities?

A. Yes. Another item "Injuries to persons" which include employés.

Mr. HAGERMAN:

Q. Would that be included under the general head of transportation?

A. Yes.

Mr. LEHMANN: You are mixing up two things, Mr. Hagerman. Here is a little, special statement, which has no relation whatever to that other statement.

A. I am merely explaining why that yard statement is not a measure at all of cost. It is merely a statement of our own, which I do not think anybody else uses, and is simply for measuring the performance, one month with another, but not a measure of the cost in any sense.

Injuries to persons is of course much greater in the terminals, as I said, by reason of the large number of movements over a single track and the constant stitching and moving about of the cars. That is greater proportionately in the terminals than it is on the road. That is not included in there.

Again, that statement does not include the item of train expense, bringing the cars into the terminal, and taking them out. That would be effected in this way:

After you reach the portal we will say, to the terminal, your cost from that time on to the point at which your train will stop two or three or four miles further on, is greater per mile than on any other part of the road, because the movement of that train is interferred with by these switching engines, and that is where

7869 your overtime comes in. The overtime paid to the through freights is usually incurred at the terminals. That is another item not included.

Of course, as I explained before, there is not included in that statement any of the things which go to make up the cost of a very

valuable terminal, as to property value, and rentals, and things of that sort.

Q. There is one item here I observe "other transportation expenses" which for this year was 3.56 cents.

Do you know what is included in that heading of "other transportation expenses"?

A. I do not know. Perhaps I can give some idea (Witness here consults another tabulated paper).

That would be the operation of interlocking plants and the salaries of the signal men and supplies for the signal men. Crossing flagmen. Gatemen, the highway crossing watchman, and the supplies used by them. Telegraph and telephone operation. Stationery and printing.

In this particular statement under discussion, I do not know many of those are included.

Q. Some I take it are perhaps not included. You are taking the Interstate Commerce Commission formula?

A. Yes, sir.

Q. Take draw-bridge operation: That does not exist does it?

A. No, sir. I believe this yard statement includes about
7870 what I have enumerated. Operation of interlocking signals and other signals. The crossing flagmen and the watchmen

Mr. HAGERMAN: There are draw-bridges within the boundaries of the State of Missouri aren't there?

A. We are talking about the terminals at Kansas City and St. Louis only.

Q. The draw-bridges would not come in at all?

A. No, sir. I am trying to find out from the Interstate Commerce Commission's classification what is included in that item there on that yard statement. I think this is about it: Flagmen, switchmen and tower men and probably the telephone service which is in there and possibly the stationery and printing may be in there.

Q. Did you keep a separate account of the equipment injury sustained in the terminals?

A. No, sir, not an accurate account.

Q. Do you keep any discriminating account at all?

A. No, sir, except occasionally for a period of say a week or two weeks, in looking into that particular item of expense, we may have someone keep a statement of the cars damaged in terminals, just to see where——

Q. What proportion they bear?

A. No, sir, not with reference to what proportion they bear to the cars damaged in road service, but merely to see if the damage is excessive in those terminals.

—. Then really those statements are not worth the paper they are written on, because if the damage does occur in the terminal
7871 it does not develop until the car is out on the road.

—. Of course, that is true to some extent and vice versa, but it is more likely to be the case that the damage occurs in the terminal and then the draw-bar pulls out when the car is out on the road.

Q. That is on the principle of their being more obvious and man-

fest damage occurring in the terminal than on the road, and the probability is that more of the latent damage is caused there?

A. Yes, sir, that is it.

Q. And probably, if you apportioned between the manifest damage you could apportion more of the latent damage in about the same way?

A. Yes, sir, about the same.

Q. Do you keep a separate account of your switch engine repairs? That of course would be more readily done because most of your engines used in switching service are used there exclusively, aren't they?

A. Most of them. I do not know of such a report. If so it is kept by the mechanical department.

Q. Then the injury you speak of occurring in the yard, personal injuries, I suppose are those mainly to employés, aren't they?

A. Well, to other persons I think they are greater, too.

7872 Q. People passing through the yards and making use of the right-of-way?

A. Yes, sir, on the highways and trespassers.

Q. And people who will insist on crossing the yards instead of going around?

A. Yes, sir.

Q. And the theft loss is quite materially greater, I take it, in the large terminals?

A. I can not say it is materially larger in the large terminals as against smaller terminals. It is greater in the terminals.

Now in the proportion to the amount of business done or the number of cars handled, or the amount of freight handled, I do not believe it more in the large terminal than it is in the small terminal.

Q. In the sense we are speaking of terminals now, and to which you have reference in all these large towns, relatively, you would not speak of a way-station as a terminal in that same sense?

A. I would speak of a division point.

Q. Yes, that is what I had in mind.

A. Yes, sir, they are both large and small. Some of them are located at small towns.

Q. But generally speaking?

A. Yes, sir, it is at terminals or relay points where the cars are standing, more or less.

7873 Q. And with the best facilities you may have it always requires a considerable length of time for cars to go through these terminals?

A. Some cars go through very quickly. But there are sometimes when cars lay over several hours.

Q. And sometimes days?

A. I must admit that they will lay over for days now.

Q. But there are times when there is a congestion of traffic and they remain there a long time?

A. Yes, sir, sometimes.

Q. I see you have here a summary of statistics for the year 1908

compared with the year 1907, showing the amount saved by the reduction of transportation, based on the tonnage for the year 1908?

A. I say that is what we call half a statement. It is really these figures up here (indicating) brought down, just to condense them. Here are the figures (indicating) tons one mile, here they are.

Q. In 1908 you had less tonnage than in 1907. And in 1908 you had less tons per train mile than in 1907?

A. Yes.

Q. Less tons per train mile means less freight handled on the average train?

A. Yes, sir.

Q. That is what that would resolve itself into?

A. Yes, sir.

Q. Tons per loaded car mile: You had more in 1908 than
7874 in 1907?

A. Yes, sir.

Q. That means you put more in the average car?

A. Yes, sir.

Q. And cost per hundred tons per mile in cents?

A. That is purely for transportation now. That does not include any of these other items such as maintenance of way, equipment, traffic. That is merely operation.

Q. That was more in 1908, than in 1907?

A. Considerably so.

Q. This 29.88 cents per hundred ton miles for 1907?

A. Yes.

Q. And 34.59 cents for one hundred ton miles in 1908?

A. Yes, sir.

Q. And the proportion can be worked out as an arithmetical proposition?

A. It is about twenty per cent.

Q. Savings based on tons carried this year, the bold face figures denote loss?

A. Yes.

Q. You have a loss under that head instead of a gain?

A. Yes a loss of $1,356,952.70.

Q. That means it cost you——

A. That means that the difference between a cost of 29.88 cents per hundred tons per mile for transportation expenses in 1907; and 34.59 cents per one hundred tons per mile in 1908, for the volume of traffic handled in 1907, showed an additional cost of $1,356,-
952.76.

7875 In other words, if we had handled this volume of traffic which we did handle in 1908, at the same figure that we handled the volume of traffic which was handled in 1907, in that year, we would have avoided that loss.

Q. You would have saved that much?

A. Yes, sir, that represents what five cents per one hundred tons per mile cost us.

Q. That is, five cents, or substantially five cents—it is a little less?

A. Yes, a little less.

Q. Substantially five cents cost per one hundred ton miles, extended on the business of 1908?

A. Yes. If you understand, it is on the business of 1907, which would be much greater.

Q. Necessarily, but the other factor being larger?

A. Yes.

Q. Under that head you have that total loss, we will speak of it as a loss, on the Frisco lines, divided between the different divisions of the line.

A. The same divisions as are shown across the face of this statement.

Q. And these details relating to each division, the total of which is at the top of this statement?

A. Yes, sir.

Q. Here is your mileage, single track, main line and branches, tons moved one mile, the average per each mile of main
7876 track: Will you please explain that?

A. That is the density of traffic.

For instance, here we have 28,813,527 tons moved one mile during the year on the entire system.

Now the mileage of the system if 5034.16 miles, so the average ton miles moved over the total mileage was this figure 568,901 tons per mile.

—. This last figure is the quotient resulting from dividing the tons moved one mile in 1908, by the mileage of the road?

A. Yes, sir, that is it. That is called "density of tonnage" and here is the rank of the various districts, based on this—that is, the rank in density of tonnage.

Q. Oh, yes.

A. Now, the question of their rank in density is arrived at by taking the tons moved one mile on each division and dividing it by the main line mileage of that division.

Q. Here, then, on your No. 1 and No. 2 Eastern Division, you had tons moved one mile, and the average for each mile was 874,052?

A. Yes.

Q. And so you give it for each division?

A. Yes, sir. Now, while we are speaking of the line St. Louis to Monett, you will notice that division ranks fourth.

Now, on the other part of the Eastern Division, which is the line from Knoche Junction to Springfield, the tonnage per mile
7877 was 89,575, and ranked twelfth in density of tonnage.

Q. Which road was that? You have two lines I believe from Kansas City to Springfield?

A. The O'Blair line was one, around by way of Bolivar and Clinton.

Q. And then you have another line that goes outside the State?

A. To Ft. Scott.

Q. Are they both in your divison?

A. No, sir, one by way of Ft. Scott is in my district.

Q. Is this the Ft. Scott one (indicating on statement).

A. No, sir, this is the one we referred to as the O'Blair or Clinton District.

Q. This statement includes not only your own district but others.

A. Yes, sir.

Q. Where is the one which is in your district?

A. The Second District is here (indicating) No. 6 and 7 Northern Division.

Q. What would be the rank?

A. The rank of the division, the northern division is first. It is first in density of traffic.

Q. And where is this line Kansas City to Springfield. That is in your division?

A. It is in here (indicating). The entire Northern Division is included in one.

7878 Q. What are the main elements of that No. 6 and No. 7 Northern Division? Is the Kansas City-Springfield line an important element there?

A. Well, yes, that is the main line. Of course the heaviest traffic, the greatest density of traffic, is that portion of it between Kansas City and Ft. Scott, because of the coal movement from the Kansas coal fields.

Q. Into Missouri?

A. Yes. And the freight to and from Oklahoma goes as far as Ft. Scott on that line and then goes over from Ft. Scott to Affton what we call the Affton district, and then takes the main line down to Oklahoma City.

Q. Do you have a large coal traffic from Kansas into Missouri?

A. Yes, quite considerable.

Q. And also from Oklahoma?

A. Not to any extent. There is some coal traffic there.

Q. The coal fields are the Kansas ones?

A. Yes, sir.

Q. And where do you get that coal in Kansas. Is it sent to the Missouri line, I mean?

A. I am not entirely familiar with that topography. It is near the Missouri line. Yes, of course, it is near or around Pittsburg, Kansas.

Q. Where is it delivered, chiefly?

A. They do a big business in Kansas City from the Pittsburg district.

7879 Q. That would come over the Kansas City line?

A. Yes, sir.

Q. Do you deliver from the Kansas field to the Joplin district?

A. Yes, but not to such a very great extent.

Q. Where is the market for that Kansas coal? Can you outline that?

A. It goes out in the neighborhood of Wichita.

Q. I mean the Missouri market, chiefly?

A. I should say Kansas City first and Joplin second in importance.

Q. Kansas City draws a large part of its coal supply from that Kansas field?

A. I do not know what portion of the Kansas City supply is drawn from there, but I know a large part of that output goes to Kansas City.

Q. Does Arkansas coal come up to Kansas City?

A. Some of it but not a great deal.

Q. That is some Interstate coal?

A. The production of that is not very heavy. I think most of it is consumed in Arkansas. I am not familiar with that, however.

Mr. LEHMANN:

Q. The lowest in density of traffic is No. 13?

A. The Cape Division of the Third District.

That is in the southeast part of Missouri and that mileage is nearly all in Missouri. That is that little net work of lines in the
7880 southeast part of the State.

Q. And running down into Arkansas?

A. Yes.

Q. Known as the Hauck lines in Missouri and Arkansas, and around there?

A. Yes, sir.

Q. You have here thirteen divisions——

A. No, sir, there are eleven divisions exclusive of the Texas line but in two instances the division is sub-divided so that the division which is called the Third Division is divided as between Accounting Division No. 12 and Accounting Division No. 13. One is the main line from St. Louis through to Big Creek, Arkansas, where it connects with the Birmingham line.

In the case of the Eastern Division, there are two sub-divisions, one being the main line from St. Louis to Monett and its branches, and the other being the Clinton District or the line from Springfield to Kansas City by way of Clinton and Bolivar.

Q. But in this table, the summary of operating statistics, you have shown here thirteen accounting divisions, including the Texas lines?

A. Yes, sir.

Q. I want to get the thirteen in each case. I see the rank is here.

A. Yes.

Q. Among those accounting divisions, the Northern Divis-
7881 ion stands first in density of traffic?

A. Yes, sir.

Q. And it stands tenth in rank in the average cost per ton mile?

A. Yes, sir.

Q. And second in rank in average cost per one hundred ton per train mile?

A. Per one hundred ton per mile.

Q. How is this rank determined? The lowest cost you put here would be put highest? The less the cost the higher you rank it?

A. No, sir.

Q. That is what I want to get at?

A. No, sir, the less the cost the lower the rank, yes.

For instance, the Clinton Division of the Eastern Division ranks first in cost per train mile. That means it costs less to operate a train a mile on that division than it did on the others.

Q. That is what I supposed?

A. It ranks thirteen in cost per one hundred tons per mile. That means while it costs less to operate a train, it costs more to move a ton of freight.

Q. Your order of 1, 2 and 3 may be said to be an order of merit?

A. Yes, that is it.

Q. That division which costs you the least per train mile you call No. 1 and put him at the head of the class?

A. That is it.

7882 Q. And that division which costs the least per one hundred tons per mile you put No. 1 in that class?

A. Yes, sir.

Q. Now the Northern Division is first in density of traffic. It is tenth in average cost per train mile, and it is second in average cost per one hundred tons per mile?

A. Yes.

Q. That is where you have your heavy coal business?

A. Yes, sir.

Q. Your Clinton Division, that is twelfth in rank in density of traffic, first in rank in average cost per train mile and thirteenth in rank in average cost per one hundred tons per mile?

A. Yes, sir.

Q. The Clinton Division involves a line with which you have a line that may be said to be in competition in a way?

A. No, sir. So far as I know there is no competition at all between those two lines. They serve altogether different purposes and different territories. We move no through business that I know of over the Clinton line. It handles local business almost exclusively. I do not mean entirely State business but what we call local business.

Q. You are distinguishing now between State and local?

A. Yes, sir.

Q. But you have two lines between Kansas City and Springfield?

A. Yes.

7883 Q. One is the Clinton Division and the other is the Northern Division?

A. Yes, sir.

Q. And over the Clinton Division you handle strictly local business?

A. Yes, sir.

Q. Your Eastern Division is the main line south out of St. Louis?

A. St. Louis to Monett.

Q. That is twelfth in rank?

A. You have just read that. That is accounting division No. 3. That is the Clinton line. Now the main line from St. Louis to Monett is No. 1 and No. 2 is the Eastern Division and that is fourth.

Q. It is fourth in rank in density of traffic and thirteenth in

rank in average cost per train mile and ninth in rank in average cost per one hundred tons per mile?

A. Yes, sir.

Q. That is your main line from St. Louis to Monett?

A. Yes, sir.

Q. Your No. 12 or River Division line described those?

A. No. 12 of the River Division is the line from St. Louis to Big Creek, Arkansas, at which point it connects with the Kansas City to Birmingham main line, and it forms a route from St. Louis to Memphis, the River Route. That was known originally as the St. Louis, Memphis & Southeastern.

7884 I think only a very small portion of its mileage is in Arkansas, all the balance of it being in Missouri.

Q. That is third in rank in density of traffic, and sixth in rank in average cost per train mile, and first in rank in average cost per one hundred tons per mile?

A. Yes, sir.

Q. What traffic do you do on that line, chiefly?

A. Through traffic from St. Louis to Memphis, or, rather, so far as those figures show, to Big Creek, at which point it goes down over the main line to Memphis. The principal traffic there is through business.

Q. Of what nature do you mean?

A. It is lumber, coming from the Rock Island at Memphis—or, rather, across the river from Memphis at Ridge Junction, and going up to Chaffee, at which point some of it is delivered to the Chicago & Eastern Illinois Railroad. The balance goes to St. Louis and is delivered to connecting lines there.

Q. Is that chiefly a lumber road?

A. Yes, sir.

Q. That is, from the south to the north?

A. Yes, sir.

Q. What is the reciprocal freight?

A. There is a considerable movement of merchandise over that line. But freight of all classes and commodities coming from points East of the river going to Memphis or beyond on our line, or going to Rock Island at Memphis for haul into Arkansas and on

7885 west to Oklahoma, would go by that route. It is mostly through business.

Q. Mr. Tyler, do you know of any reason why what would be called a reciprocal statement may not be made, with respect to the revenues of those different divisions, just as you have it for the cost here in this statement, and extended in these various ways?

A. I couldn't tell you that because I know nothing about revenue or the manner in which it would be made up.

Q. Do you know of any way by which such a statement could be made. You have segregated the cost here?

A. I have no idea whether it could be made or not, but my judgment is it could not be made because the business being through it would be impossible to apportion it to the various lines. It would be impossible to say what it cost to haul it over the various lines.

Q. You apportion your cost: Do you eliminate from the statement we are now considering the terminal cost?

A. Yes, sir. The terminal cost so far as St. Louis and Kansas City is concerned is not in—yes it is, it is all in that statement.

Now I want to say something else with reference to why that could not be based on revenue instead of on a tonnage basis, as there.

So far as to show cost for each of those sub-divisions, that would vary not only with each month but probably with each day's
7886 business.

Q. Predicated on revenue, you mean?

A. On any basis you figure the cost it varies with the volume and with the direction of that volume, and the proportion of the total volume in each direction, as I explained to you this morning.

Q. I appreciate that. You must deal with average conditions. In other words one day you might be—taking an extreme case—hauling nothing but empties and of course then your rank in cost per one hundred tons per mile would be something entirely abnormal?

A. But I don't mean to refer to it as one day compared with another. But for periods of considerable length, one month with another or one year with another.

For instance, a division standing first in the cost per one hundred tons per mile in that statement of 1908, may stand fifth for 1909.

And the same variation occurs in the statement from month to month.

Q. Have you a statement corresponding to this, for the year ending June 30, 1907?

A. No, sir, not with me.

Q. But they have been made up?

A. I think so. I am not entirely sure about that, but I think so.

Q. And for a number of years previously?

A. I don't know. I came with the road in 1906.

Q. And you think from that time on, 1906, 1907, and 1908,
7887 those statements have been prepared?

A. That would be only two years, 1906 and 1907, and 1907 and 1908, as they are made for the fiscal year. They are made for the months of course.

Q. But there would be a certain identity discoverable. That is to say, you never would expect No. 3 Eastern Division to be very far away from thirteen in rank for average cost per one hundred tons per mile?

A. No, sir, I would not. It is purely a local division.

Q. And you would not expect No. 12 River Division to be far away from No. 1 in that same rank?

A. No, sir, because it is through business.

Q. But there would be a certain tendency to uniformity in this classification?

A. Yes.

Q. You said that you thought the cost of doing State business over doing Interstate business would be about three to five times: Now, on what basis per ton mile?

A. No, sir, I don't know that I could say per ton mile, because that is a varying basis.

Q. We must take in another factor there, of course.

A. If you were going to mathematically prove those figures you would have to have the other factor. But I can not do that. I can not prove that mathematically.

I give you there my best judgment based on a number of years' experience in handling both local and through traffic, and I
7888 explained that when I referred to the State traffic. I meant particularly short haul business, moving between two near by points.

Q. Do you mean to say it would cost from three to five times per train mile?

A. The train mile would have nothing to do with it at all. I mean, with respect to a certain volume of business.

Q. That is essentially the ton mile, isn't it?

A. I don't know that it is the ton mile exactly, either. I have never given any thought to it with reference to ton mile. Of course if it was figured strictly on ton miles and you took some particular shipment and compared it with an extreme shipment of the opposite kind, of the through kind, it might cost fifteen times as much or ten times as much.

But I have based this estimate upon the general local conditions and with particular reference to Missouri, to the line that I have had to do with and to my knowledge of the other lines of the St. Louis & San Francisco Railroad.

Q. My reasons for asking you the questions I am now asking are, because we want to get into the record a statement of what you mean by that: Some of the witnesses have said that it cost so much more, such a percentage more, or so many times more, for every dollar received in revenue from these two different kinds of traffic,
7889 State and Interstate. That would lead to one conclusion.

The same percentage or times for hauling per ton mile leads to a very different result, because the revenue received per ton per mile is admittedly greater as to the State freight than it is as to the Interstate freight.

I think I may say with propriety it is admittedly so.

Then we must get not a theory of apportionment but a basis of apportionment.

You base it upon the business transacted. Now why does not that finally signify ton miles?

A. I would not attempt to say it did signify ton miles because I could not tell you with any degree of accuracy what the ton mile figure was for purely State freight in Missouri, nor what it cost, the total cost of handling that volume of State freight in Missouri.

I have drawn my conclusion simply from operating knowledge of the fact that we handle local business, the particular manner in which we do handle it, and about what that service costs us with reference to the through service.

I have taken into account the wages, the cars and engines employed, the fuel consumed, the additional cost of a great many addi-

tional stops in order to handle this business, the delays to do the switching, the delays to local freight trains in unloading and loading the freight, and the additional damage to equipment by reason of the stops and the switching, the greater hazard, and all these
7890 conditions which have to do with operation.

Now I have not attempted, nor could I apply all of that either to the ton mile basis or to the revenue basis, the basis of which I know nothing about.

Except, I will say this, that occasionally it has occurred to me with reference to the revenue basis—it may not be material here—but in looking over the way bills for cars at local points, at Junctions, cars brought in by a branch and waiting movement over the main line. I pick up a way bill to see when the car was billed and whether it was delayed or not. I look at the revenue, not at the rate but at the total revenue for that movement, and I often find it ridiculously low in some cases, so low that my thought is that it does not nearly pay for the service performed.

That is the only time and manner in which I do consider revenue at all.

Q. It may be altogether my fault, Mr. Tyler, but when I take your statement that it cost three to five times to do State business as to do Interstate business, the statement does not suggest anything clear to my mind, because I don't know what you predicate your "three to five times" on. Three to five times what? There you have a multiplier, but where is the thing that is to be multiplied. Is it the dollar you get for the service, or is it the amount of the service that is rendered?

A. It is the dollar you pay out to perform the service that
7891 is to be multiplied by the three to five.

Q. Say you have one thousand tons of Interstate traffic you carry one hundred miles, and we will say that costs in this estimate that you have made two hundred dollars: Now you have one thousand tons of your State traffic which you carry forty miles. What would that cost on your basis of the State traffic costing from three to five times as much as Interstate?

A. You have not got the same results there at all in ton miles.

Q. I know I have not.

A. In one case you have carried one thousand tons only forty miles and have consequently made forty thousand ton miles. And in another case you have made one million ton miles.

Q. You have not an equality between your State and your Interstate freight in actual use and so you have disparity there, and so I produce the disparity here. .No, I have not one million ton miles but one hundred thousand ton miles?

A. Yes.

Q. Your one hundred thousand ton miles in Interstate cost two hundred dollars, what will your forty thousand tons in State traffic cost, using your formula?

A. It would be absolutely out of the question to apply any cost to that. You could not arrive at any figure that would cover
7892 fairly the movement of one thousand tons one hundred miles in through business, because as a matter of fact one hundred

miles would more likely fit local business. That would not be through business.

Through business is carried five or six hundred miles, ordinarily, that is a great deal of it. A great deal of the tonnage moved over my districts move from Kansas City to Birmingham, Alabama, or vice versa, seven hundred and thirty-five miles. Now, the cost of moving that over that seven hundred and thirty-five miles may vary to the extent of three hundred per cent from the low to the high points.

Q. Yes.

A. Now, the cost of the local service for moving one thousand tons forty miles would again depend entirely upon where you move that local service.

You have some divisions here where they rank first in average cost for one hundred tons per mile. Other divisions where they rank thirteen, and the local business travels over both of them. They must all be considered together, and I do not believe any formula can be stated or any man can figure that out for you, or give you anything upon which to base an exact calculation. I do not believe it can be done.

Q. I am not asking you to approve the accuracy, or even the propriety, of your formula. I am simply asking you how it is to be applied.

Let us assume for example that from a certain volume
7893 of Interstate freight you derive one thousand dollars of revenue, and you derive one thousand dollars from revenue from a certain volume of State freight, such as you have, and as it is done, and such as you contemplate when you say the cost is from three to five times as high for State as for Interstate.

Do you mean by your three to five times that it costs three to five times as much per dollar to earn a dollar of State revenue as a dollar of the Interstate revenue?

A. No, sir, I can not say anything about the dollar feature of it because I don't know anything about it.

Possibly I can explain it this way:

On some points on any of these divisions in the State of Missouri a car stands on the side track, loaded or being loaded, with any commodity you may please to mention—we will say cord wood. That car is going to move to a station twenty miles away or ten miles away, where it will be unloaded. Going past that car several times during the day are numerous cars loaded we will say some in Chicago and delivered to our line at St. Louis, some of them loaded up in the northwest and delivered to our line in Kansas City, probably some loaded at Kansas City, going to Birmingham and then beyond to the southeastern states, loaded with any commodity.

The cost of moving that car of freight twenty miles in that par-
ticular instance would probably be ten times as much as
7894 moving each one of the other cars I have mentioned, between the same two points, as they went by.

Q. Exactly. But that would be a car mileage basis.

A. No, sir, not a car mile basis exactly, either. Although the use

of the car enters into it. It is a car that probably has been hauled out there empty for that load. It has laid there perhaps twenty four hours or forty eight hours or in some instances seventy two hours, waiting to be loaded. It moves the short distance of twenty miles and it is detained another twenty four, thirty six, forty eight or possibly seventy-two hours. Then it is unloaded and then we get the car back and have the use of that car again.

Now that is all the service we have performed with that car. I can not undertake to say what that service is worth to the party for whom it was performed, or what it did pay or should pay, on the basis of ton miles. But I know that that car could have been loaded in Kansas City and could have gone to Atlanta, Georgia, in the same time it took to move that twenty miles.

So I form my opinion and base my estimate simply upon a general handling of the business and I can not say it is with reference — the ton mile or to the revenue derived, because it is not based on either.

Q. It must rest on something, Mr. Tyler. We want to determine whether the rate here is a proper rate, whether it is compensatory. That is the ultimate purpose of this inquiry. If it is not
7895 compensatory it must go by the board. If it is compensatory it stands.

Now the court must find out as nearly as it can, aided by such information as you have to give—you and other witnesses, what it costs to move the freight within this state, and then compare that with what is permitted to be received for revenue on freight, under the law, to determine as a result whether the rate compensates the company for the service it renders.

Now, if the Court is advised that it costs three to five times as much to earn a dollar in State revenue as it costs to earn it in Interstate revenue, it can take the relative earnings from each source, and it can reach a conclusion as to the expenses incident to the State business, and then segre-ating the property for that purpose, can determine whether or not there is compensation allowed.

If the Court is informed that it costs from three to five times as much to move freight per ton mile in State service as in Interstate, here are the figures and the Court has a basis.

But if the Court is advised it costs three to five times as much to do the service, and that three to five times is not related to anything else, the Court can reach no conclusion.

Now, I don't ask you to justify your formula. For the purposes of this question I am accepting the fact that it is three to five times something: Now what is the something on which the "three
7896 to five times" is predicated?

A. I do not know that I can explain it any more clearly than I have.

I understand exactly what you are getting at, Mr. Lehmann, but I do not know just how I can explain to you how I reached that conclusion or why in my judgment it could not be stated with reference to the ton mile. Because the ton mile is a more varying quantity than anything we have, with reference to cost.

It varies not only as between different parts of the line, but it varies on the same line and on the same part of the line, one week or one month as compared with another. And the variation is so very great as to go to the two extremes, the highest and the lowest point, as is shown in that statement (indicating). One division ranks first and last. One part stands at the top and another part stands absolutely at the bottom, and not only at the bottom but with large margin to spare at the bottom.

Q. All that goes to the matter of justifying your statement, as being more or less accurate. I am simply trying to get at what the statement itself signifies, because it requires another factor to make it intelligible to me.

If you say it means it costs three to five times as much to earn a dollar in State revenue as in Interstate revenue, then I can get at the cost, because I am advised by other evidence, we will say, that
7897 the average rate per ton per mile on State revenue is twice that it is on Interstate. That gives me an approximation of six to ten times as much per ton mile. But there is the difference, you see, of one hundred per cent as depending upon your applying it to the ton mile basis or to the revenue basis. One is twice as much as the other. That variation is rather wide, if we could possibly avoid it.

A. I have no reference at all to the question of the earnings of a certain amount, or the question of revenue at all.

Q. Do you have reference to the ton mile?

A. I have never based my calculation upon the ton mile.

Q. Have you reference to the train mile?

A. No, sir, they do not fit it at all. The train mile does not fit for the reason that the local train may carry freight or may not, and yet it runs.

I did not make my estimate with reference to the train mile.

Q. Neither did you make it with reference to the ton mile?

A. Not as ton mile.

Q. Neither did you make it with reference to the revenue received?

A. No, sir. Now, with reference to the service performed, I do make it. With reference to moving a shipment of freight, such as ordinarily offered for local, and what you must do with that freight
7898 in order to haul it to its *detsin* destination and deliver it, and a shipment of freight offered for a long, through haul, or for the average through haul, without regard to the rate that the shipment brings, based entirely upon all of the conditions entering into the service as between local and through, I base my reply or estimate.

Q. Is not the ton mile the best and most feasible unit of service in freight, and passenger mile the best and most feasible unit of service in the passenger business that you can use; and is not that the reason for using those units in railway accounting?

A. Only so far as reaching comparison between the same part of the line, one month, or one year, with another.

They are of no value as comparing the service on one part of the

line with that on another part, though those two may be connecting divisions, and may even be flat and level divisions, without grades and without curves.

Q. I suppose it took a good deal of work to make this statement we have been considering here?

7899 (Counsel here indicates the statement that the witness has identified as the yard statement.)

A. I should judge so.

Q. I do not mean simply writing out these figurres, but in compiling the figures?

A. The figures are compiled, I believe, for the purpose of other statistics, and then they are put in here with reference to the ton mile cost, for the benefit of the operating offices.

Q. And the thing to which you lead up — in all this, and the final conclusion to which you come, is that it expresses itself in rank in average cost per one hundred tons per mile, isn't it?

A. Yes, sir.

Q. And the best showing, you would say, if you were going to award a premium,—I believe they do that in some divisions of railroad, for the best showing?

A. I don't know.

Q. They used to do it on the road work of the Wabash?

A. I believe they do it in some places, for track maintenance.

7900 Q. Suppose you were to do that in your operating department. The final best showing under this head of summary operating statistics, for the year ending June 30th, 1908 compared with the year ending 1907, and so on, would be to the river division?

A. No sir.

Q. Wouldn't it?

A. No sir.

Q. No. 1?

A. No sir.

Q. Why award the prize?

A. I cannot award the prize with this statement nor could any one else do it.

In the first place, while the river division ranks first in item of cost per hundred ton- per mile, there *there* may have been waste in the operating efficiency and yet through the favorable conditions existing there that division ranks first in spite of itself.

While on the other part of the same division, under the same man, operated by the same superintendent, the Cape division, operated by the same man, ranks eleventh.

There is the same man with the same sort of country, all flat and level, and he has both extremes.

So if he got the medal he would also have to get whatever was at the other end.

Q. My analogy was perhaps leading away from my own purpose. I think I was at fault in the way in which I expressed my-

self. I see, of course, the personal efficiency might have been the highest where the results in that respect were the best. I
7901 did not really mean that. I did not mean what I said.

What I had in mind was, which in its results to the proprietors of the road is the most satisfactory division disclosed here (indicating statement).

A. I do not know that I could answer that. By proprietors I suppose you mean the owners of the road?

Q. Yes.

A. I should say that division where there was the greatest variations, and in the right direction, as between gross revenue and the operating expense. Now that is something I know nothing about but that would be the most satisfactory to the road, no doubt. And it is not reflective in any way by its rank indensity as to cost per hundred tons per mile.

Q. That is the revenue side of it. We are not dealing with the revenue side. But from the standpoint of cost of operation, which would be the most satisfactory to the owners?

A. In order for the owners to know which shows the best results there, they would have to be familiar with every foot of the line, the conditions existing on it, the class of power used, and the facilities for taking care of it. The facilities for meeting trains and getting them by each other and the performance of the service. The condition of the road bed, condition of grade and condition of curvature.

7902 And then the regularity of movement of this volume of business. That is, whether balanced throughout the length so there was loading in both directions, or whether it was extremely heavy east bound in the first two weeks and extremely heavy west bound during the last two weeks, with light modification in the other direction during the same period.

Q. Would not all these conditions be reflected in that last column?

A. No sir.

Q. Wait a moment? Would not the efficiency of the motive power tend, other things being equal, to a less cost per ton mile?

A. No sir.

Q. Would not a good big engine operated officiently reduce the cost per ton mile, other things being equal?

A. Oh yes, other things being equal.

Q. You are continually intruding other elements?

A. I do not mean to. I mean to answer your questions exactly as you ask them.

Q. Would not radical curves and heavy grades, find themselves reflected in that last column?

A. Other things being equal?

Q. Yes.

A. Yes.

Q. Now, then, the density of traffic also finds itself reflected
7903 in this last column, other things being equal?

A. To a greater extent perhaps than any other feature there.

Q. Does it come to this, that the division or road which stands No. 1 in the last column on this statement, is presumptively the least expensive road?

A. No sir it is not with us. It is on this statement here.

Q. "Rank in average cost per one hundred ton mile" stands No. 1?

A. Yes sir.

Q. Am I not to understand that moved freight at a less cost than any other?

A. Yes sir.

Q. That is what I assumed?

A. Yes, they moved it at less cost per one hundred ton per mile than any other division, for that period, that year.

Q. Why is not that the least expensive division on your road in proportion to traffic handled?

A. It was at that particular time.

Now I will say this to you, that if this division here—and I am telling you what I am almost sure would have happened—had this northern division handled the same increase in tonnage that river division did, as compared with the previous year, it would have taken this rank away from the river division and would have ranked first.

7904 But on the river division we find an increase in the total tons carried one mile while on the northern division we find a heavy decrease.

Q. Yes, but I am taking conditions as they are.

Is it not the thing you are finally striving for, by all the means within your power, to get a ton of freight over your road one mile or one hundred or one thousand, as it may be, at the least possible cost?

A. Yes sir.

Q. The ton mile is simply the unit of service?

A. In perfect fairness I want to say, at the least possible cost and give service. We are giving particular attention to the service. We are in some cases not moving it at the least possible cost, because the least possible cost would interfere with the service to the public.

Q. I am assuming there is proper service?

A. Those two things must be kept in mind, Mr. Lehmann, there are operating conditions I have had drilled into me very strongly and I cannot forget or overlook them, and I cannot forget them.

Q. I am assuming, of course, proper service and the same kind of service. What you finally want to do is to move that ton of freight a mile, or one hundred miles, or one thousand miles, as cheaply as you can?

A. Yes sir.

Q. The ton mile is simply the unit of what you are doing.

7905 When you are moving it the ton mile is not different from the one hundred tons per mile?

A. No sir the same thing. The difference is that we take it in cents instead of mills to avoid carrying it out to the third decimal point.

Q. When you have reached that point that you find the freight being moved over one road at less average cost per ton mile, there is where your freight is costing you the least, isn't it?

A. Yes sir.

Q. In your speaking of through freight, and in your business of operating the railroad, through freight means that which moves in an unbroken train, from the beginning of a freight division to the end of a freight division. Is that it?

A. Well, yes, or perhaps from one end of the line to the other end of it.

Q. Yes, we would naturally assume that a train that went from one end of Missouri clear to the other end of it, would of course be a through train.

A. I did not mean extreme end of the line, but I mean over a division or part of a division. Where it comes on and goes off without breaking up and being unloaded.

Q. I want to get at it.

First, manifestly, a train that starts out from one end of your line and runs clear through to the other end of the line, as a train, that is manifestly through business?

A. Yes, but there are not many of those.

7906 Q. I suppose not. Do you treat it as through business, in the way you speak of through business, for operating purposes, if a car comes on to your track at one end of the line and is destined to the other end, but you have not a solid train?

A. Oh, yes. You are speaking of the car?

Q. I want to get the elements now?

A. That is what I had reference to. A car load of freight.

Q. Whether it comes in a solid train, through or not?

A. Yes.

Q. And that car, destined from one end of your line to the other end might go in a local train part of the way?

A. Yes.

Q. If you have a train load of freight at the initial point of your road, say in St. Louis, and going south—where is the division?

A. South toward Memphis, or west?

Q. Either?

A. The first freight division is at Newburgh.

Q. That is in Missouri?

A. Yes.

Q. Those are on the same line are they?

A. Yes.

Q. How far is Newburgh from St. Louis?

7907 A. I haven't those figures.

Q. Just approximately?

A. About one hundred and twenty miles.

Q. If there is a train that goes solid through from St. Louis to Newburgh, you call that through freight?

A. Yes.

Q. Suppose a car—not a train load but a car, goes from St. Louis to Newburgh, do you call that through freight?

A. You mean if it is destined to Newburgh?

Q. Yes, beginning at St. Louis and going to Newburgh.

A. No sir that would be called a local car. It would not be likely to leave in a through freight.

Q. It might be, however?

A. Yes, but it would more likely be moved in the locals.

Q. It would depend upon the convenience of operations, whether it was or not?

A. Yes sir.

Q. I understand, or assume from what has been testified to before, that you have a fixed arbitrary train you call "a local train" operating between St. Louis and Newburgh?

A. Yes sir.

Q. A freight train?

A. Yes sir.

Q. That goes upon a schedule?

A. Yes sir.

7908 Q. And whether there is a load for it or not?

A. Yes sir.

Q. And then you run your through train very much as there is a demand for them?

A. Yes sir.

Q. In number and times?

A. Yes sir.

Q. And a car delivered to you after your local has gone may very well be put in your through train?

A. That would not be good operation. You would get on the wrong end of that rank in cost per one hundred tons per mile and you would not get the reward if you did that very often, because your local train is run for the purpose of handling that.

Q. Suppose a car comes in after the local train has gone out, then what do you do?

A. You would hold it until the next day's local train.

Q. Why?

A. If you put it in the through train you are making a local out of your through train. You would delay your through at Newburgh to set out the car and you would have nothing else to put in your through train at Newburgh to take the place of that car, and, consequently, you would not have a full load on to Springfield, the next division point.

7909 Q. Are your locomotives always used to the highest point of efficiency: Isn't there a large margin of what they can do and what they actually perform in running over the road?

A. No sir there is not with reference to the through train. The locomotive on the through train is loaded with reference to the speed you want it to make. If you have a high class train with high class freight and you develop a certain movement of that freight from St. Louis to Oklahoma, or other places the same distance, you do not give that engine all it can possibly drag? You give it such a load as it can go along and make the schedule you want it to run on.

Q. But do your through trains make faster time than the locals?

A. Some, yes, very much. Then you run other through trains that are not run with reference to expediting high class freight, but which are run with reference to running lower class freight and getting it to destination. Time is not a factor with that train, hence you give that train all that engine can haul up to a certain point. That is, you give it all it can haul up to your routing card.

Of course that is governed by the division officials as to what that tonnage shall be.

With the through train it is almost always nearly the maximum capacity of the engine, and it should be the maximum.

7910 With the locals you run the local for the purpose of distributing or setting out and picking up these cars and if that car was destined to the first division point, good operation would call for it to be handled in the local train even though it might have to be held over at St. Louis until the next local went out, twenty-four hours later.

I am assuming it is a car of ordinary freight and not perishable or not of a nature that requires expedited movement.

Q. Do you get your through freight with such regularity that you can load up your locomotives at St. Louis with such precision so, if you want to run it fast that locomotive can run and carry it fast; and if you are at liberty to run slow, practically all the local engine can pull—do you get freight with such regularity as that?

A. Yes on all lines.

In the first place you arrange your train service according to your business.

In Kansas City we run considerable business to the southeast and the south-west. We have three trains going out of here to the south east, three high class fast freight trains.

When we have not enough high class freight to fill out all three of those trains to the tonnage that the engine can haul and

7911 make the schedule we require of them, we put in other freight. We put in freight of a lower class and of a lower class commodity.

Q. That moves first. That has precedence?

A. High class freight has preference over the other.

Q. If it is high class freight for Newburgh you put it in, don't you?

A. If it was a certain high class freight it might be put in but ordinarily it would not be put in unless it was, we will say, of a perishable nature.

Q. You are discriminating against the local service then?

A. No sir.

Q. You do not handle it as promptly as the through?

A. Yes, just as promptly.

Q. You say you hold it twenty four hours?

A. You do the same with the through car if the regular through train has gone forward it must stay until the next through train.

Q. Would you put it on the local?

A. No sir.

Q. If the local could pull it?

A. No sir.

Q. You would not put it in there

A. No sir it is against our rules to move that class of freight in anything except that class of train.

7912 Q. Suppose it was destined to Springfield, the end of the second division, then you would not hesitate to move it to Newburgh?

A. Then it would go in the through freight, perhaps not in one of the faster through freights.

Q. But it would go in the through freight?

A. Yes sir.

Q. Your train, as a train, stops at Newburgh—the one that leaves St. Louis?

A. The local.

Q. The through train, as a train?

A. No, sir.

Q. You take off your engine at Newburgh?

A. That does not constitute a train; you change the engine and caboose and the men.

Q. You have exactly what I mean; my term may be wrong?

A. You relay at that point.

Q. You change engines?

A. Yes.

Q. And you change cabooses?

A. Yes.

Q. Your grades are not the same on all divisions, are they?

A. No sir.

Q. You have to change the number of cars carried?

7913 A. No sir; the better operating method is to have the engines east of Newburgh and on the line west of Newburgh of a different carrying capacity so you don't have to break up that through train.

Q. You adjust it in that way?

A. Yes sir.

Q. Sometimes they have "pushers" too, I suppose?

A. There are "pushers" there for some of the hills.

Q. Are you able to state what proportion of state freight is carried in through trains in Missouri?

A. You mean of the proportion with reference to the total freight carried in through trains or with reference to the total state freight?

Q. First with reference to the total state freight carried in through trains?

A. I think it would be less than one per cent.

Q. Have you any statistics?

A. No sir, none at all; I am simply basing that upon my knowledge of how the freight moves over that line. It might, of course, be found more than that but I think it is very small, very small.

Q. What percentage does your state freight bear to your entire freight?

A. In Missouri?

Q. Yes?

7914 A. I don't remember right now but I have heard that stated by some of the witnesses who preceded me.

Q. Have you any knowledge of that yourself?

A. No sir, I have not.

Q. What is the percentage of interstate freight carried in your local trains of the entire amount carried in these trains?

A. That varies on the different lines and different branches but I should say that about 80% of the freight carried by local trains in Missouri is state freight. That is, around 80% of the entire freight that the local trains move is state freight.

Q. That is it is picked up in the state and delivered in the State?

A. Yes.

Q. Is that based upon your observations or upon statistical information?

A. Observation, only.

Q. What proportion of your freight carried in Missouri is carried in through trains—without regard to whether it is state or interstate—the proportion of traffic?

A. I am not sure on that. I think may be 90% of the total freight carried in the state of Missouri is carried on through freight trains. I think it would run that high.

Q. 90% of your total state traffic in the state of Missouri is carried on through trains?

A. I think so; I am not positive on that.

7915 Q. That would leave 10% of your freight traffic on the local trains?

A. No sir; that would mean 10% of the total traffic.

Of course now I am considering there such lines as we referred to in this statement (indicating). That 423 miles made up of little short branches where there is a lot of train service but very little freight handled, while on the main lines the through trains go along with full trains while the local perhaps renders 20% of the same efficiency with reference to moving freight going over a district. So I believe those figures are very nearly correct.

Q. For the whole system in the state of Missouri?

A. Yes sir.

Q. 90% of your total mile tonnage is through freight, and 10% of your total ton mileage in Missouri is state freight?

A. I didn't exactly understand that question that way before. I don't think that is the way you said it before. 90% of the total freight handled in the state is handled on through trains, I understood you to say?

Q. Yes?

A. 10% of the total freight handled in the state of Missouri is handled on local trains?

Q. Yes?

A. That is the way I stated it.

Q. Isn't it the same?

A. No sir; you said 90% of it was through freight, and 10% local freight when you stated it.

7916 Q. Isn't that exactly what you say?

A. No, sir. I said before that I didn't know exactly what proportion of the total freight handled in the state of Missouri was state and what proportion was interstate. I don't know about that.

Q. Oh, you mean 90% of the freight handled in Missouri is handled on through trains?

A. That is the idea.

Q. And 10% on the local trains?

A. Yes sir; that is right.

Q. I am not getting away from that; now I was simply changing the form of expression. The 90% expressed in ton mileage is what you mean by that. If I changed the terms as to through or local that was inadvertently done. I simply wished to reduce it to ton miles.

A. That will vary in there. In my judgment that may run from 80 to 90 per cent, and from 10 to 20 per cent.

I am stating that without having given that particular feature any particular thought. I never thought of it until you asked me the question.

Q. Of the 80 or 90 per cent of business done in through trains there is a very small proportion, which you suggested might not be more than one per cent, which is state traffic, I think you said?

A. Handled in the through trains?

7917 Q. Eighty to ninety per cent of the traffic done in Missouri is handled in through trains?

A. Yes.

Q. And of that eighty or ninety per cent a very small portion, one per cent or something more, is state freight,—that is originating and delivered in the state?

A. Yes sir; that is very small; it will run somewhere from one to three per cent.

Q. So the eighty or ninety per cent practically speaking is all interstate freight?

A. Yes.

Q. With the allowance you have suggested?

A. Yes.

Q. There is from ten to twenty per cent of that freight business done in Missouri that is done on local trains. What percentage of that business done on local trains is interstate?

A. I should say around 30—25 to 30 per cent of it.

Q. Twenty five to thirty per cent of interstate?

A. Yes sir.

Q. And the remainder of course would be state?

A. Yes, state freight.

Q. So that getting to the totals, we have got say from 97 to 100 per cent of a class of freight which is 80 to 90 per cent of your total as interstate—that is as to your through freight, which is 80 to 90 per cent of the total, and 99 per cent interstate. And of the other class, or local freight, which is 10 to 20 per cent of that total,

7918 25 to 30 per cent is interstate. And your state freight would be from one to three per cent of that which is 80 or 90 per

cent of the total, and would be 70 to 75 per cent of that which is 10 to 20 per cent of that total?

A. Yes.

Q. And you take those elements of difference in the volume of freight handled on through trains and local trains into account in determining the relative cost of handling state and interstate freight?

A. Yes.

Q. When you come right down to what we might call "scientific accuracy" you really don't mean the relative cost between state and interstate at all but you really mean the difference between through and local?

A. Yes. The Interstate feature does not interfere with it. It is "through" or "local" wholly.

Q. And you rely on what you assume with respect to the through and local and state and interstate very largely because you assume that the through is mostly interstate and that the local is mostly state?

A. That is the idea, yes.

Q. And while there is not an exact identity between them, there is perhaps a substantial identity?

A. Yes.

7919 Q. But strictly speaking you make your differentiation between through and local?

A. Yes, between through and local freight and with reference to long and short hauls.

Q. That again comes to through and local very largely?

A. Yes.

Q. And all your statistics that you have and then the special observations you make have reference to through and local rather than to state and interstate?

A. Yes.

At this point the further hearing of testimony herein was adjourned indefinitely, subject to resumption, upon notice, by the Court.

7920 KANSAS CITY, MO., *Dec.* 14, 1908.

Met pursuant to notice on Monday, December 14, 1908, at ten o'clock A. M., in the Federal Building in Kansas City, Missouri.

Present: Honorable Smith McPherson, Judge of the United States District Court.

Messrs. Frank Hagerman and E. T. Miller appeared in behalf of the complainant.

Messrs. S. B. Ladd, F. Lehmann and John Kennish appeared in behalf of the defendants.

The following proceedings were had:

The COURT: I think we ought to have some understanding about meetings. I think we ought to have longer hours. I am not complaining about this morning, being practically the first day, but I mean after today I think we ought to have longer hours.

Mr. LEHMANN: This morning it was uncertain as to where we were to meet.

The COURT: I am not complaining about today, but after today we ought to have some understanding.

Mr. HAGERMAN: Some of the trains were delayed, and some of the witnesses are not here.

7921 The COURT: What do you say, gentlemen, about convening at 9 o'clock?

Mr. LEHMANN: I have no objection to that. I am here and will work while I am here.

The COURT: You gentlemen cannot be engaged in any other matters pending this case. Another thing, gentlemen, let us understand: I will not hear anything else at Kansas City. Judge Phillips is here and Judge Pollock is near by. I have no objections to signing formal orders and things of that kind, of course. We will commence to-day and will get through with these cases whenever we can, without adjournments or interruptions, with the possible exception that we will adjourn over the 24th, 25th and 26th, on account of Christmas. It is not necessary to adjourn over the holiday week. We will stay with these cases until they are concluded; that will be the understanding. There will be no adjournments without a showing, and a showing that lawyers have business elsewhere will be regarded as wholly insufficient, for there are enough gentlemen on each side to keep these cases going.

I can understand that this morning there was some confusion about where the cases were to be heard. We cannot make much progress before 2 o'clock. We will adjourn until 2 o'clock,

7922 and then commence in earnest about these cases. Court is adjourned until 2 o'clock.

After recess the following proceedings were had:

Mr. HAGERMAN: When Mr. Bethard, of the M. K. & T. was on the stand at the last session, he was asked by counsel on the other side to furnish a compilation of his statement of the increased rate of wages, and he said he would do it. He has sent it up here by Mr. Jackson, and I would like to have it marked as an exhibit.

The COURT: Increase of what?

Mr. HAGERMAN: Mr. Bethard testified generally on the subject of increase of wages, and Mr. Lehmann asked him to have prepared and sent here a statement.

So your Honor may see how the matter runs, the statement shows that in 1900, Conductors received at the rate of three cents per mile in wages, and in 1908 they received at the rate of 3.8 cents. Brakeman received wages at the rate of two cents per mile in 1900, which has increased to 2.53. The engineers' wages have increased from 4 to 4.80 cents. And the firemen from 2.50 to 2.90.

The tabulation continues and the summary of it is that the through freight service has increased in cost, 23.6% for through freight service; 21.0% for way freight service; 21.4% for

7923 passenger service, and 41.8% for yard service. That is the increase in wages.

The paper referred to is marked complainant's exhibit five.

Complainant's exhibit five is in words and figures as follows, to-wit:

7924 W. M. WHITENTON, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. Mr. Whitenton you are connected with what Railroad?

A. The Rock Island.

Q. On what part of the Rock Island are you engaged, and what is the position you occupy?

A. I am General Superintendent of the Rock Island in Arkansas, Louisiana, and part of Oklahoma, with headquarters at Little Rock at the present time.

Q. What railroad experience have you had: first, how long have you occupied the position you are now in?

A. I have been in my present position a little over a year.

Q. What has been your railroad experience prior to that time and covering what period?

A. I commenced railroading in 1884, as a water boy on a work train. After that I learned telegraphing, and was a telegraph operator, station agent, train dispatcher, chief train dispatcher, brakeman, conductor, train master, and on up to superintendent and general superintendent. I have been with the Rock Island for about nine years.

Q. You started practically at the bottom of the ladder twenty-four years ago, and have grown gradually up until you got
7925 to your present position?

A. Yes, sir.

Q. What services, if any, did you have with the railroads in the state of Missouri?

A. In the years 1905, 1906, and a part of 1907, I was superintendent of the Rock Island in Missouri, in charge of the lines east of the Missouri river, in the northeastern part of the state.

Q. The Rock Island road operates quite an extensive system from St. Joe. and Kansas City, both east and west of the Missouri river?

A. Yes.

Q. To Chicago on the east and to the Gulf on the south, and Denver and Colorado Springs on the west?

A. Yes.

Q. Is there, or isn't there in your judgment an increased cost for doing the state business over the interstate business?

A. I think there is.

Q. What is your estimate as to the amount of that increase?

A. My judgment on that is, from twenty-five to fifty per cent.

Q. What are some of the elements that enter into your calculation there, of that increase?

A. The extra cost of train service, the station service, the terminal

service, as you might call it. An extra cost brought about
7926 by the frequent stops of your train in handling your state business. The short haul, as a rule, of the state business. Those are some of the principal elements of extra cost.

Q. The short haul necessarily involves more frequent stops for the receipt of passengers and the discharge of passengers, than the long hauls?

A. Yes, sir.

Q. Is there a larger element of risk in *the* doing the business, through the expense of things of that sort, in the short than in the long haul?

A. Decidedly so.

Q. You speak of the extra terminal; do you understand now in dealing with interstate business we are dealing with two classes of interstate business: one which originates in the state and goes out, or comes from without the state and terminates in the state, that being one class, and the other class which is termed "trans-state," where it starts outside the state and goes beyond. Now, in the case of the state passenger business, how many terminals are there?

A. We have two terminals in the state passenger business.

Q. In the first class of interstate business, where it either originates or terminates in the state, how many terminals are there?

A. There is one.

7927 Q. In the case of transstate business, how many terminals are there?

A. You have no terminals.

Q. Something has been said, or at least suggested, as to a road like the Frisco, which terminates at St. Louis, that necessarily there is one terminal service in the state for the trans-state passenger: what do you say to that?

A. I do not think that is the fact.

Q. Why not, what are your reasons for that statement?

A. A passenger, we will say, going from one point in Texas to Chicago, through St. Louis, simply gets off one car and on to the other. There is really no terminal expense in connection with that operation.

Q. That is to say, that might be termed a mere car-to-car exchange?

A. A mere car exchange. His baggage is checked through and there is no expense in that connection. He is ticketed through, and you have no expense there. For all operating purposes, that is virtually the same thing as a through train.

Q. Now you take the man that starts, for instance, at St. Louis to go outside the state, or comes from outside the state to St. Louis: What is the difference?

A. He has one terminal within the state, and of course that passenger has to bear his proportion of that terminal expense, the providing of facilities for taking care of him.

7928 Q. So the interest of that class of business—a road handles say 100,000 passengers, and as to the state business 200,000

passengers, there would be 200,000 used by the state passenger as against 100,000 by the interstate?

A. I think that is true.

Q. Is there, or isn't there an increased cost of doing state freight business over interstate?

A. My judgment is that there is an increased cost.

Q. The same classification there holds true as in the passenger, as to the sub-division of the inter-state business?

A. In a general way, yes.

Q. That is to say, part of it starts from without the state and comes in, or starts within the state and goes out, and the rest of it is trans-state business?

A. Yes.

Q. What is your judgment as to the extra cost of doing the state freight business over the interstate?

A. It is my judgment that the extra cost will run from three to six times as much.

Q. Do you make that estimate upon a ton or upon a revenue basis, or just generally, leaving it to the court to determine what is the true basis?

A. I had in mind when I answered the question the ton mile basis.

Q. Putting it on the revenue basis, what would you say, if it makes any difference?

7929 A. My opinion on that would be, it is about twice as much.

Q. Is there any practical method in use by the railroads by which they keep accounts upon a ton mile basis, so as to know and take into account the amount of waste tonnage, or dead tonnage in connection with the traffic?

A. I have never heard of any.

Q. I want to ask the question, is there any method practiced or in use by which they likewise keep track on a ton mile basis of the different classes of commodities?

A. Not that I know of.

Q. The ton mile basis reduces everything to a level, regardless of the character of the freight, whether high class or low class, and regardless of the amount of waste tonnage of the car, does it not?

A. That is true.

Q. What are some of the elements that enter into this matter of making the state freight expense greater than the interstate?

A. Well, you have the terminal expense, the two terminals, which is considerable of an item in the operating expenses.

Q. That is, the same situation as to the number of terminals exists with freight as with the passenger traffic?

A. Yes, you have the two terminals on your state business.

Q. I assume, of course, the proportionate part of the terminal expense is ordinarily larger in the freight than in the pas-

7930 senger traffic?

A. Yes, sir.

Q. Go ahead, now, and give some of the other reasons. That has been largely done by some of the other witnesses unless the other

side ask it, you need not go further into detail, but give some of your general ideas that lead to your conclusion, your general reasons?

A. One of the other large items of extra cost is your train haul, the wage of your train crew. Your state freight is largely handled by the local trains. The wage of the local freight is from 40% to 50% higher than the through. You do not get the efficiency of your power in the way of tonnage, because it is of a distributive nature. You are setting out and picking up tonnage all the while, and you lose a great deal of your efficiency of your power. The movement on that account is slow. The miles for your train handling the state business, as a general proposition, the engine miles will only run about 70 miles, while the through freight will run 125 miles. And you will not handle more than on an average 60% of the capacity of the locomotive.

Then it requires more cars to handle the state business, because of the short hauls, and the two terminals, allowing for the loading and unloading.

The question of car hire is a very important one in making up the increased cost.

7931 The casualty claims for handling state freight are greater. The frequent handling of it necessarily makes more claims, and in that portion of Missouri, that I am particularly acquainted with, the character of the freight handled is such that it is very expensive.

Q. What do you mean by that, the character?

A. It is largely live-stock that we have to run a special service to accommodate.

Q. Why is that? Why is that a character of service where there is an increased cost over some other character of service?

A. You have to protect that and handle it. You have to run the trains regardless of any other tonnage. If you have only four, five or six cars, you have got a service established and you have got to protect it. Whether you have the tonnage or not, your expenses are there, and if the tonnage is not there to move, you have to take the four, five or six cars just the same as you would twelve or fifteen cars. It has to be moved.

Then of course the damage claims in stock is high, if it is not handled promptly and given efficient service.

Q. Does the frequency of the stops and interruptions of that character and kind have a tendency to increase or diminish the damage claims?

A. It has a very decided tendency to increase them. The stopping and starting of a train is always a great hazard of damage, especially with that character of freight. Not only that, but

7932 the frequent stops and starts of the train damages the equipment.

The cost of car repair incident to the class of traffic is necessarily higher than it would be on a train that moves right along and does not make frequent stops.

Q. Have you given in a general way the reasons which lead you to

this belief, or are there some others you want to mention at this time?

A. There are others, but I believe I have touched upon the main ones; the terminal expense, the station service, the train service, etc.

Q. A word or two as to this terminal expense: Something has been suggested in the way of an intimation from some one that possibly there was not much of a terminal expense as to a passenger out at a country station, whereas there would be a tremendous expense at the city station; how does it operate practically, say per passenger, as to the expense whether in the country or in the city?

A. My experience has been that your terminal expense per passenger is generally larger at the smaller stations than it is at the larger.

Q. That is per passenger?

A. Yes, per passenger.

Q. Will you please give some of the reasons for that statement?

A. You handle a larger volume of people at the larger
7933 stations and you can get your average cost down. You have, you might say, a fixed charge at the small station, that you have got to maintain the expense, regardless of how many passengers you handle, and you cannot arbitrarily reduce it. While at the larger stations your expenses fluctuate with the volume of the business, up to a certain point. You maintain a certain force, and as your business increases, you increase that force, or if the business decreases you diminish it. But at the smaller stations, where you have only one or two men, that is arbitrary, and you have got to maintain it regardless of the number of passengers handled.

Q. Some one said in reference to this trans-state business of which we spoke, that in a great state like Missouri, with prosperous states on all sides of it, so that it is in the center of a great railroad transportation situation, the trans-state business would run on an average something like 35% of the entire inter-state business: what is your judgment about that?

A. I am not prepared to answer that, Mr. Hagerman, I have never given it any thought. I do not know.

Q. Did you see this tabulation that was presented here by Mr. Bethard as to the increased cost of wages?

A. Only just as you read it there.

Q. Has or has not there been a very marked increase of cost of service in railroads, like everything else?

A. In the way of wages there has been, yes.

7934 Q. There has been a very substantial increase in wages?

A. Yes, sir, a very substantial increase.

Q. Would you be able to tell from that statement of Mr. Bethard's whether that corresponds with your judgment, or is it out of the way at all?

The witness is here shown the statement prepared by Mr. Bethard, which has been marked complainant's exhibit 5.

A. It is my opinion that that approximately represents the condition that exists on all lines in this state.

Q. In your judgment that would be a conservative estimate?
A. Yes sir.
Q. What is the ordinary life of a local engine, compared with the life of an engine in the through service?
A. You will get out of a through freight engine, my judgment is, about one third, more mileage than you will out of your local engine.
Q. Would that be a fair estimate, in your judgment, of the life of it?
A. Yes, sir, I think so.

7935 Cross-examination.

By Mr. LEHMANN:

Q. Mr. Whittenton you estimate you say from 25% to 50% more expense in doing state passenger business than interstate. You base that on the passenger mile?
A. Yes, sir, I base that on the earnings of the train, yes sir.
Q. You base it on the passenger miles done. Your local passenger rates are as a rule higher than your through passenger rates, are they not?
A. I understand so. I don't know anything about rates.
Q. You are an operating man?
A. Yes, sir.
Q. You have regard rather to local and through than to state and interstate in your management of trains?
A. Yes, sir, as a general rule that is true.
Q. That is, your classification and division of the service is local and through rather than state and interstate?
A. Yes, sir.
Q. Practically speaking in the operation of railroads, you don't take state lines into account?
A. No, sir.
Q. You have your runs for freight trains, and you have your runs for passenger trains?
A. Yes, sir.
Q. And you consider there a convenient distance without regard to whether that brings it within a particular state or without, do you not?
7936 A. Yes, sir.
Q. You have your division points distributed along your trunk lines?
A. Yes, sir.
Q. Your passenger business in the state of Missouri, take the railroad situation here generally, state and interstate passengers are carried on the same trains, are they not?
A. Yes, sir.
Q. And these trains have fixed schedule, what might be called arbitrary trains; that is, they run upon a certain time, leaving the initial point at a certain time and destined to reach the terminal point at a certain time, and run whether they have more business or less—passengers I am speaking of?

A. Yes, the schedule is fixed at what is thought best to accommodate the business.

Q. You determine that from your experience in handling the business?

A. Yes, sir.

Q. But practically speaking all passenger trains are what might be called arbitrary trains. You have excursion trains, of course, but I take it they are few in comparison with the entire number of passenger trains you run?

A. Very few.

Q. And of course your excursion trains don't run until
7937 either the business presents itself for such trade, or you have worked it up?

A. Yes, sir.

Q. And sometimes you work up the business, and sometimes the business presents itself?

A. As to that I am not familiar. I have only to do with the running of the train; after the business end of it is worked up I am notified to run the train.

Q. Now you take on state and interstate passengers indifferently at all stations along your line, do you not?

A. Yes, sir.

Q. And state and interstate passengers get on indifferently at all stations along the line?

A. I think that is probably true.

Q. And your stations, whether they are the great terminals of a large city, *are* whether they are the smaller stations of a country town exist for the entire traffic along the road, whether state or interstate?

A. That is my understanding.

Q. And it does not cost any more for a state passenger to buy a ticket than it does for an interstate passenger to buy a ticket, does it?

A. No, I guess not, I do not know.

Q. And there is no more risk in the state passenger getting on or off than the interstate passenger doing that?

7938 A. I guess that is true.

Q. Your charges are based upon mileage rate, except where competitive conditions influence your action, are they not?

A. I don't know anything about the rates.

Q. Can't you answer as a railroad man, as one having observed the railroad operations in this country, that now and always and heretofore the uniform usage of railroads everywhere has been to base passenger rates upon the mileage to be traveled except where competitive conditions have interfered to bring about a different basis?

A. No, sir, I don't know anything about that.

Q. You don't know anything about that?

A. No, sir.

Q. Now what is the average of your road, the average travel of

the state passenger, and what is the average travel of the interstate passenger?

A. I don't know that I just understand what you mean,—the average miles?

Q. Yes, the average length of the trip?

A. I don't know anything about that.

Q. Is that not essential to determine whether or not it costs from 25% to 50% per passenger mile more to handle the state or interstate passenger traffic?

A. No, sir, I don't so consider it.

7939 Q. If the journey of the state passenger averaged substantially as long as the journey of the interstate passenger, you can't make any difference between them on that account, can you?

A. No, if the journey was the same, I would say there would be no material difference.

Q. You gave as I understood you the relatively shorter haul of the state passenger as compared to the haul of the interstate passenger, as one of the elements making up a larger cost of doing the business. What difference did you have in mind between the haul of the one class of passenger and the other?

A. You take the train handling the state passenger, the local passenger,—I had in mind when I answered that question the earnings of the two classes of trains; in our operating comparisons we compare at intervals the earnings of the different trains. You take the trains that handle largely the state business or the local business, their earnings per mile are as a rule less than that of through trains, or trains handling through passengers.

Q. Now, can you give us that with any precision?

A. You mean the earnings?

Q. What you have just stated. Can you give us that with any precision, the earnings of your through trains and the earnings of your local trains?

7940 A. I think that can be given to you. I have not got that information with me.

Q. Yes. Now as a matter of fact you have such a classification as state and interstate trains?

A. No sir.

Q. It is peculiarly true of the state of Missouri, is it not, that most of the trains operated over the railroads of the state, run as trains (I am speaking now of the passenger service) within the state wholly?

A. The Rock Island lines have a number of trains that run wholly in the state of Missouri.

Q. Is it not true of the majority, particularly the passenger trains of the state,—take for example the lines that operate between St. Louis and Kansas City, that none of them run trains either east of St. Louis or west of Kansas City? I mean, they do not run the train that is run within the state, either east of St. Louis or west of Kansas City?

A. I think that is probably true.

Q. Yes, they may run through cars west, but you do not know of

any roads between those two cities that run trains west of Kansas City that start at St. Louis, do you?

A. Well, if you mean by the train, the locomotive and everything intact, I don't know of one that does.

Q. But isn't it true that if you limit the train to cars, meaning by that essentially all the cars that you start out from St.
7941 Louis, I do not mean all of them, but practically all of them—is there a single train leaving St. Louis that goes west of Kansas City that you can think of?

A. The Rock Island have a train with some cars I think run through west of Kansas City.

Q. These are those with single cars in a train set out and taken beyond here?

A. Yes, I think that is true.

Q. Now do you know of any railroad company whose passenger trains originate inside the state, excepting St. Louis itself, that run cars east of St. Louis? For instance, a train originating at Kansas City, Carthage or Joplin, or any of those points, going to St. Louis, do you know of any where they send a car across the river?

A. I am not familiar with the St. Louis situation.

Mr. HAGERMAN: Don't the Wabash do that?

Mr. LEHMANN: They do at Hannibal.

Q. You spoke of frequent stops. Your passenger trains have their regular stops, have they not, regardless of whether there is a passenger to get off or on at that place. In other words, you assume that there may be somebody to get off or on there?

A. That is not always true, no, sir. Schedules are made up, and at certain points we put in for a flag; if there is any one there the train is flagged and it stops.

7942 Q. But with the exception of your flag stations the stops are regular?

A. Yes, sir.

Q. And not dependent upon there being a passenger to get on or off at that place?

A. No, sir.

Q. You schedule your stops with regard to the probability rather than the actuality in the case of each train, do you not?

A. That is based upon our experience as to what business has been done, which is the only criterion we can go by.

Q. Precisely. You stop where somebody is likely to get on or off?

A. We make regular stops where we have always found we have had passengers.

Q. That is exactly what I have in mind, Mr. Whittenton. Now, then, your flag stops are made at places where people infrequently get on or off?

A. Well, not exactly. There are certain trains, certain trains that we put in flags for, flag stops at stations to accommodate certain classes of travel, that is, for certain distances.

Q. Exactly. Now, Mr. Whittenton, are not those flag stops rather more for interstate than state travel?

A. No, sir. Not necessarily.

Q. They are for the longer run rather than for the short, are they not?

7943 A. As a rule, yes.

Q. Yes?

A. But not always.

Q. Well, but you would stop at a place where a man had a ticket to go 100 miles beyond, where you would not stop for him if he was only going to the next station?

A. As a general proposition that is true, but there are exceptions to that.

Q. Yes, but the rule is as I suggest?

A. Yes, sir.

Q. So that the flag stopping business is practically speaking for the long run or for the long ride?

A. Well, yes.

Q. And being so, is more likely to be for an interstate than for a state ride?

A. That would depend a great deal upon the location of your railroad in regard to the state lines.

Q. But Mr. Whittenton don't you think the longer the ride the greater the probability of its being an interstate ride?

A. I don't know. That may be true. I am not so sure of that.

Q. Now you say there is greater risk of accident in the state service. How much greater would you regard the risk of accident in the state passenger service than in the interstate?

A. I don't know that I just catch your question, the in-

7944 tent of it?

Q. I understood you to say that the risk of accident was greater in state service than in the interstate service?

A. Yes, sir.

Q. Well, how much greater?

A. The risk of accident per passenger is governed by the number of times you handle that passenger, and the number of passengers you handle.

Q. How much of an element in the expense of the railroad with which you are now engaged, or with any railroad of which you have knowledge, does the entire expense of inquiry to passengers amount to, state and interstate?

A. I am not just prepared to answer that. I have never thought of it in just that way exactly.

Q. Does it amount to one per cent of the total of your passenger rates?

A. I am not prepared to say.

Q. You say in the trans-state travel there is no terminal in the state, but there are two terminals for every journey, aren't there?

A. Yes, sir.

Q. And properly apportioning expenses you would distribute the terminal charges over the entire journey, wouldn't you?

A. Yes, sir.

Q. So that in a proper apportionment you would not allow to the

state of Missouri the full mileage rate of a trans-state journey,
7945 but you would deduct what would be proper on account of the terminal charge, wouldn't you?

A. I do not understand that there would be any terminal charge on the trans-state.

Q. If you were apportioning things, in order to apportion receipts and expenditures properly, if you have a terminal in Illinois and a terminal in Kansas, and a passenger runs through from one to the other, you would not think the railroads in Missouri had earned the proportion of the money received indicated by the proportion of its mileage to the entire mileage, would you?

A. I don't know how that is apportioned.

Q. As a railroad man, and an operating man, don't you think the terminal expenses should be distributed over the entire travel?

A. You mean the terminal expenses in Missouri?

Q. No, the terminal expenses wherever incurred?

A. I don't know.

Q. You say there is practically no terminal in the trans-state business: take for example St. Louis people, where they step off one train and on to another, isn't it a fact that those people might be required to wait there, taking conditions as they are, for varying lengths of time from one hour to eight or ten hours?

A. I presume that is a fact. I do not know.

Q. You must have your waiting rooms for your passengers,
7946 quite as much for your trans-state as for your state and inter-state passengers?

A. Probably so.

—. Do you know of any other road coming into St. Louis from the west or from the south or from the north through the state of Missouri, which runs baggage cars from St. Louis eastward?

A. I am not familiar with the St. Louis situation, sir.

Q. Which would you regard as the most expensive passenger travel handled, the trans-state or the inter-state?

A. I don't know that I just understand that. What in the way of expense do you mean there, Mr. Lehmann?

Q. I will tell you what I mean. Mr. Hagerman in his direct examination spoke of state and inter-state; state travel beginning within the state and ending therein; then of two kinds of inter-state travel, one beginning within the state and ending without the state, and the other beginning without the state and ending within it, the two together making up one class. And the other beginning without the state and ending without the state, simply passing through the state; the latter Mr. Hagerman spoke of I think as trans-state. Now which would you regard as the most expensive to handle per mile, the trans-state or the inter-state?

A. So far as the state of Missouri is concerned the inter-state; that is the one handled from without to within or from within to without.

The man passing through the state, there is practically no ex-
7947 pense connected with him so far as the state portion is concerned.

Q. How much more do you say it would cost to handle the inter-

state traffic of the first description, where one of the termini is within the state, than it costs to handle the trans-state traffic?

A. I don't know what it would be in dollars and cents. I have never figured.

Q. In percentage?

A. I don't know what the percentage would be, for I have never figured that.

Q. How much more does it cost to handle state travel than it costs to handle trans-state travel?

A. Well, as to the dollars and cents or percentage of that I can't give you any definite figures, because I never had occasion, and it has never been necessary to figure it.

Q. How much more in percentage does it cost to handle the state travel than it costs to handle the interstate travel, which has one of its termini in the state?

A. In your state travel you have the expense of your two terminals, which is a very large item of expense, but just what per cent it is of the total I do not know. In your interstate you have only one, but when you come down to the percentage basis, or dollars and cents, I can't tell you, Mr. Lehmann, what the difference is.

Q. Now you have at all your stations at least one man I
7948 take it to handle, as you can't get along with less than that, I assume?

A. At all open stations. Of course there are a lot of side tracks where there is no one at all.

Q. No one at all?

A. Yes. They are put there for the passage of trains, and things of that kind. You might say at all stations there is at least one man.

Q. We might neglect those stations that are so insignificant, where there is nobody. I suppose you don't do either state or interstate business at those places. I mean you don't get any?

A. Well, you get a little of both classes. People will flag a train and get on where there is no agent at all.

Q. You do have stations of that kind?

A. I know it is true of the Rock Island, and I presume it is of all roads.

Q. I don't know; but generally speaking we may assume that you have at least one man at a station?

A. Yes, sir.

Q. Would you say you have more than one man at the majority of the interstate or country stations—I mean the stations inside of your large termini, the large division points?

A. I think probably with the line I am familiar with in this state,
at the majority of the stations we have more than one man.

7949 Q. Have more than one?

A. Yes, sir.

Q. And the places where you have but one man would be places on the branches?

A. Generally.

Q. There is where you have a man who is a man of all work; telegraph, express, freight, passenger, everything?

A. Yes. Of course there are a number of places on branches where we have more than one man.

Q. But generally speaking your one man stations would be located off on the branches rather than on the main line?

A. That is true.

Q. And generally speaking your stations on the main line would be two or more men stations?

A. Yes, sir.

Q. When you get beyond one is it because the volume of business requires more than one, or may it be simply that the hours require more than one?

A. Well both the volume and the hours. They are both governing factors in arranging your force.

Q. But the having more than one because of hours rather than volume of service, is more likely to exist on the train or through lines than on the branches, is it not?

A. I expect that is true.

Q. Mr. Whitenton, is it true that you must have some stations simply from the necessity of operating trains over it, regardless of whether you have any business at them or not?

7950 A. Yes, that is true.

Q. That is due, I suppose, to your train being limited in the run it would make without water and fuel?

A. Well, it is generally limited to the run it would make without train orders or some instruction.

Q. I was going to ask you for the further reason of that. And the safety of operation would require stations along the line if you were not taking on a single pound of freight or a single passenger?

A. Yes, that is true.

Q. Mr. Whitenton, as an operating man would you please indicate the frequency with which such stations would be required? Speaking now just as an operating man, in operating trains I suppose it would be indicated by distance, that necessity, would it not?

A. That would be indicated by distance and the density of your traffic.

Mr. HAGERMAN: He is asking you irrespective of stopping for traffic?

A. I mean irrespective of the number of trains you have to handle.

Mr. LEHMANN:

Q. What would you suggest would be required in the way of stations in that way. Take for instance the Frisco main lines in Missouri?

A. I should say from 20 to 25 miles.

Q. You would need stations for this purpose?

7951 A. Yes, sir.

Q. Regardless of taking up or leaving off freight or passengers there?

A. Yes, sir.

Q. As the density of traffic in the sense you had in mind, that is the greater number of trains passing and repassing, as the density

of traffic increased would those stations need to be more closely together?

A. Yes, sir. One factor governing in there would be your intermediate facilities between those offices for handling your trains and moving your trains.

Q. Now of course that is a condition that I have just been speaking about. With respect to it you do not deal as an exclusive element at all, do you? That is, you take that into account in connection with other business, those conditions of local business, in locating your local stations?

A. In locating stations where there is no local business and no local trains, we get them just as far apart as possible.

Q. But I take it in this state that there are mixed considerations in locating your stations here; that is you take into account convenience of operating your road, and also the business that may be done at the station?

A. Yes, sir, that is true.

Q. I suppose there are few stations in this state that are maintained by the Company simply for the convenience of operation of the road?

7952 A. Well, there are a few.

Q. But they are very few, are they not, in proportion to the entire number?

A. My experience has been there are not very many.

Q. And there will be less and less of that as the state fills up?

A. Yes, sir.

Q. So you take the two things into account, whether there is business at the place, and whether you have not reached a point where you can conveniently have a station for the benefit of operation?

A. Yes, sir.

Q. Now where your traffic is the most dense is where you will have two or more men at a station?

A. You mean where the trains are most frequent?

Q. Yes?

A. Well, I expect that is proper. I think that is a fair statement.

Q. On the branch lines it is a little more easy going, is it not?

A. Yes, sir, that is true.

Q. Now the bulk, and the very great bulk of your freight, for example, is through freight or interstate freight?

A. Yes, sir.

Q. And the having two or more men at a station because of the hours at which they are called upon to work, rather than the
7953 volume of business, is necessitated by this through or interstate traffic, is it not, primarily?

A. Well, that depends entirely upon your stations, and the operating conditions there. Your trains may be so spaced and so distanced that you have to have a telegraph operator to handle trains, and then you have to provide additional force to handle the local

business of the station, because the operator has not the opportunity to do that. He is engaged with his telegraph work.

At this point Mr. W. M. Whitenton was temporarily withdrawn, and the testimony of Mr. R. E. Kimbell was taken.

At the conclusion of Mr. Kimbell's testimony, Mr. Whitenton was recalled to the witness stand, and testified as follows:

7954 Q. You said I think that if the business comes in when the man would be required to attend to the train, that necessitates another man?

A. Yes.

Q. Isn't it equally true that you get your extra man in order to expedite the passage of these through trains?

A. No, sir, I do not look at it in that way, Mr. Lehmann. From an operating standpoint I think the more through traffic you have, it has a tendency to reduce the cost of doing your local service.

Q. You are speaking now of through business. As a matter of fact you cannot have through business without local business, can you?

A. Well, you could have it.

Q. Where would the through business come from if it did not come from the local business?

A. It would have to come from somewhere.

Q. Yes, it must come from somewhere?

A. Yes, sir.

Q. And you operate your road, therefore, for all of the business that is done upon the road?

A. That is true.

Q. And the most of your business is inter-state business, isn't it?

A. The most of the local business on the lines I am familiar with in Missouri is state business, I think.

7955 Q. Would you be quite sure of that, Mr. Whitenton?

A. I think I am, on the lines I am familiar with in Missouri.

Q. What are those lines?

A. It is the Rock Island line in Missouri. Most of it is local business.

Q. What do you include in that, The Colorado?

A. I am not so familiar with the line between here and St. Louis, as I am with that portion of it east of the Missouri river.

Q. What used to be called the northwestern branch?

A. Yes, sir.

Q. Coming down from Iowa?

A. Yes, sir, and operating over to St. Joseph.

Q. You say most of the business done on that branch is local business?

A. I did not say most of the business done on it.

Q. Most of the business done on the local trains?

A. Most of the business done at the local stations is local business.

Q. In other words, there is a pretty good local business?

A. Yes, sir, and most of it is state business.

Q. It is a rather densely settled community?
A. Yes, sir.
Q. And there is a good deal of traffic there between points within the state?
7956 A. Yes, sir.
Q. Rather more there than there would be for example on the Colorado line of the Rock Island? By the Colorado line I mean what is spoken of as the St. Louis, Kansas City and Colorado line, running from St. Louis to Kansas City.
A. I should think so, however, I am not very familiar with the line between here and St. Louis.
Q. Is that a bad condition for a railroad to find itself in, to find its local traffic increasing, its state traffic?
A. I have never thought so.
Q. And the more there is of it, the more cheaply, relatively, it can be handled?
A. I think that is true, yes sir.
Q. You come to a higher efficiency in your local trains as the result of denser local traffic?
A. Yes, sir.
Q. Are you familiar with the Cotton Belt in Arkansas?
A. Only in a general way.
Q. It is not quite up to the standard of Missouri railroads for the development of business, and so on. You would not compare that with the Frisco in Missouri, would you?
A. I don't know, I am not familiar enough with the Cotton Belt in Arkansas to say.
Q. Aren't you familiar enough with it to say it is not as good a road as the Frisco in Missouri?
A. No, sir, I would not pass judgment on that, I don't know.
7957 Q. How would it compare with the Burlington?
A. Well, in a general way I should not say it was as good a railroad as the Burlington. I would not make that as a positive statement, because I have not been over the Cotton Belt in a great many years.
Q. I am not speaking of it as a physical property, only by taking the country it runs through and the business it does; it does a relatively small business, doesn't it?
A. I am not at all familiar with the amount of traffic done on the road.
Q. Do you know whether your company discriminates in its charges in passenger service between trans-state and that interstate which has run up its termini in the State?
A. No, sir, I know nothing about how it divides these expenses.
Q. What is the difference in the cost of handling your interstate freight, which has one of its termini in the state, and the trans-state freight business done by your company?
A. The difference in the cost in that instance in the terminal charge on the interstate business that either originates or has destination in the state. The other passes through. The terminal

charge on the trans-state business is comparatively nothing. It is very light.

Q. What percentage of excess cost of handling the inter-state freight, which has one of its termini in the state, is there over
7958 the cost of handling trans-state freight, per ton per mile.

A. I cannot answer that as to what it costs per ton per mile, because I have never seen any figures. But I can probably give you an example.

Q. Would it cost three time- as much to do the interstate freight business where it has one of its termini in the state, as it does to do the trans-state business?

A. I don't know. I will say this, you take your trans-state freight train, for instance, it comes into the terminal, and it takes about fifteen to twenty minutes to change cabooses and get the train through. You take a train of inter-state business that originates within the state and goes without, you have got to gather that up and shunt the cars together. It will take you from one hour to one and a half hours to switch that train into proper train shape in the terminal yard, as against fifteen to twenty minutes in handling the trans-state train that passes right through.

Q. Do you know of any divisions where the trans-state train pulls in, changes the engines and cabooses, and gets out in fifteen minutes?

A. Many of them.

Q. Isn't that rather exceptional.

A. No, sir.

Q. You have stated it cost from three to six times as much per ton mile to do state business over inter-state: now how much
7959 more does it cost to do inter-state business having one terminal in the state, than it does to do the trans-state business? Why can't you make the same relative statement in that case?

A. Well, I presume that could be thought out and worked out probably, but I have never given that particular feature any thought, other than just the terminal proposition that I have illustrated.

Q. In your actual operation of railroads, you take no account of state lines. You take account of "local" and "through," or "trans-state:" Your inter-state which has one termini in the state is not necessarily through business. Your trans-state is all of it through business. Why isn't it easier to compare those two than to compare "state" and "inter-state"? And if you can say it costs from three to six times as much to do state as inter-state business, why can't you give the relation between trans-state and inter-state business?

A. As I said a moment ago, Mr. Lehmann, that could probably be given, but you would have to work that out. I have never given the matter any consideration.

Q. Have you ever thought about the difference between state and inter-state?

A. Yes, in a general way, I have.

Q. In order to think that out you have got to get at the difference between local and through, haven't you?

A. In handling that proposition, the state freight is handled largely upon the local train, and in handling that class of
7960 freight, which is about what we have to base our figures on—that is, it has been on that my estimate is based.

Q. And the interstate business, which has one terminous within the state is handled largely upon the local trains, isn't it?

A. No sir.

Q. It is not?

A. No sir.

Q. What percentage of it is handled on local trains?

A. I should say a very small percentage of it is handled on local trains.

Q. By small percentage would you say ten per cent?

A. I would not commit myself to any per cent, but I do not think is it over ten per cent, probably ten or fifteen or somewhere along there.

Q. Not more than ten per cent of the freight handled on local trains is interstate freight?

A. I did not say that. I did not intend to say that.

Q. I thought you did. Make it clear?

A. I understood your question to be, inter-state freight that was handled, which originates within the state and goes out, or comes from without within, what per cent of that was handled on the local trains, and what on the through trains: I understood your question to be was not the majority of it handled on the local trains. I do not think it is.

Q. How much of it is handled on the local trains, ten per-
7961 cent?

A. That depends on the territory you are in and how your divisions are situated in regard to the State lines.

Q. Mr. Whitenton, you were here while Mr. Kimbell was being examined, were you not?

A. Yes sir.

Q. You ascertained from his examination the general nature of the statement that he presented here, did you not?

A. In a general way, yes.

Q. Have you ever made any investigation of the kind indicated by that statement?

A. No sir.

Q. Do you know whether it has been done on behalf of your company in connection with its litigation or otherwise?

A. I never have heard of it, if it has, in connection with this litigation.

Q. When you say that on the revenue basis it costs twice as much to do state as interstate business, what do you mean by that?

A. How is that?

Q. I understood you to say on direct examination in answer to Mr. Hagerman, that on the revenue basis it would cost twice as much to do state business as inter-state: what did you mean by that?

A. What I meant by that was this expense in connection with

earnings would be about two to one as between the two
7962 classes.

Q. That is to say it would cost about twice as much to earn a dollar in state as in inter-state business?

A. Yes sir.

Q. What is the relation between the rates on your road, for state and inter-state business?

A. I don't know a thing about rates.

Q. How, then, could you tell what the relative cost of doing state and inter-state business would be on the revenue basis?

A. Only in a general way, from my general knowledge of the cost of doing the business.

Q. You say you have no way of keeping account of dead or waste tonnage?

A. I do not think we keep such a record.

Q. The statement presented by Mr. Kimbell showed the amount of dead or waste tonnage, didn't it?

Mr. HAGERMAN: It showed empty cars.

A. As I recall that statement shows only the dead weight—that is the weight of the cars.

Mr. LEHMANN:

Q. When you show the ton miles of dead weight, including the engine, caboose, all cars and company freight, and also show the ton miles of commercial freight, and get the number of cars and all that, that gives you the dead or waste freight, doesn't it, or waste tonnage?

A. That gives you the dead tonnage, yes.

7963 Q. What do you mean by "waste" tonnage? Do you make any difference between waste tonnage and dead tonnage.

A. Well, you have considerable waste tonnage, that is waste space, you might call it.

Mr. HAGERMAN: That is not included in Mr. Kimbell's statement?

A. No sir, that is not included in Mr. Kimbell's statement as I understand it.

Mr. LEHMANN:

Q. Why isn't it included?

A. I don't know.

Q. When he has shown the relation between the dead freight and the commercial freight?

Mr. HAGERMAN: He defined what dead freight was. It was empty car space, the engine and the tender, etc.

Mr. LEHMANN: He shows in this statement how much weight he hauled altogether, and how much was paid for. Why does not that include every element of dead or waste weight?

A. I think Mr. Kimbell's statement includes only the dead weight of the cars and the engine.

Mr. LEHMANN:

Q. What do you mean by waste tonnage as distinguished from dead tonnage?

A. I don't believe I said waste tonnage. I believe I said waste space, which is waste space in the loading of the car. For instance with merchandise, you take a 60,000 capacity car, and you cannot put 60,000 pounds of merchandise in it. The bulk of the
7964 article has a great deal to do with it. It depends on the nature of the article. You cannot load some classes of freight as heavy as others. It damages in transportation.

Q. In other words, you cannot load feathers as heavily as coal?

A. No sir.

Q. In other words, when a car is full of feathers, it is full?

A. Yes. And then take less-than-carload freight, you distribute on your local trains. Ten to twelve thousand pounds is as much as it is practicable to put in cars to distribute.

Mr. HAGERMAN: If you had a 60,000 pounds capacity car and put in it only 20,000 pounds, you would have 40,000 pounds waste space?

A. Yes sir.

Mr. LEHMANN:

Q. That is true of all commodities: Some are lighter than others, and some you can pack closer than others?

A. Yes sir.

Q. That is adjusted in the freight charges as a rule, isn't it?

A. I don't know a thing about the freight charges.

Q. Don't you know they would charge more for a ton of feathers than they would a ton of coal?

—. ——.

A. You don't?

A. I plead absolute ignorance on the rate question.

7965 Q. What is the character of your inter-state freight as compared with state freight, as to being made up of heavy commodities or otherwise?

A. I think it is that the general character is different in different communities, whatever they produce; but as a general proposition I do not know that there is much difference except in this instance—you take St. Joseph, for instance, that is a distributing point for merchandise to the local way stations in Missouri. They load a car of merchandise twelve to fifteen thousand pounds, probably 15 to 20 cars a day. Somebody else will load fifteen to twenty cars of coal. You have a good deal more tonnage in your coal cars than you have in your merchandise cars.

Q. And you get less per ton for your coal than for your merchandise, don't you?

A. I don't know.

Q. Don't you distribute from St. Joe up into Iowa?

A. Very little.

Q. Your line does run into Iowa?

A. It runs into Iowa, yes, but St. Joseph on our line does not do much distributing in Iowa.

Q. It does some little, doesn't it.

A. Yes, it does some little.

Q. And have you a line into Kansas from St. Joe?

A. Yes, we have quite a heavy business into Kansas.

Q. And you distribute from there into Kansas?

A. Yes.

7966 Q. You start out from St. Joe with your trains, go through Missouri, and into Iowa, and also into Kansas, and you get up into Nebraska, too, don't you?

A. Yes sir.

Q. From St. Joe?

A. Yes sir.

Q. And you distribute in Nebraska, don't you, merchandise?

A. Yes sir.

Q. St. Joe is quite a distributing point, isn't it?

A. Yes sir.

Q. And traffic out of St. Joe is largely in less-than-carload lots?

A. Yes sir, the great volume of it is less-than-carload.

Q. In other words, you distribute groceries a good deal from St. Joe in less-than-carload lots?

A. Yes sir, and dry goods.

Q. And the higher classes of merchandise?

A. Yes sir.

Q. And that is largely in less-than-carload lots?

A. Yes sir.

Q. The bulk of it, would you say?

A. Yes sir, the bulk of that character of freight is in less-than-carload lots.

Q. That is what I mean; and that is local as distinguished from through, nearly all of it?

A. That is local when it reaches the territory where it

7967 distributes.

Q. In starting out your train you undertake to so arrange it as to have as little handling as may be?

A. Yes sir, that is very true.

Q. You have break bulk cars where you put everything that is to go beyond a certain point, and you do not break the seal of that car until it reaches a particular point where the distribution from that car begins?

A. That is true.

Q. And a car like that may be put into a through train?

A. Yes sir.

Q. Because it will go over an entire division?

A. Yes sir.

Q. And that is all with a view of getting the best possible results with the least cost?

A. It is done with a view of expediting the movement of the freight.

Q. Getting the best results at the least cost, and pushing along the freight?

You spoke of your live-stock business: Isn't that all inter-state business?

A. Not in that section of Missouri.

Q. Where do you get your live-stock and where do you leave it?

A. St. Joseph and Kansas City are the principal markets for live-stock in that section of Missouri.

7968 Q. On your line?

A. Yes sir.

Q. Doesn't go to Chicago?

A. Very little from that part of Missouri.

Q. Does it come from Kansas City, Missouri, or Kansas City, Kansas?

A. I don't know just which one, it is billed to Kansas City, Missouri, I don't know just where it goes. I think it is true it is billed to Kansas City, Missouri.

Q. How much greater, have you figured it up in the expense of the train haul on the local than on the through trains?

A. You mean——

Q. In train miles?

A. Just the wage?

Q. No sir, the total expense in train miles on your——

A. I have never seen any statistics on that.

Q. I thought you said they were trying to ascertain the relative expense in that way, and that you were always looking after that to see how much the cost per train mile in the local service was, and how much the cost per train mile in the through service?

A. I don't think I made that statement? If I did I did not understand the question.

Q. You don't know how much it costs per train mile to run a through freight train over your road in Missouri, and how much it costs to run a local train, per train mile—what the average

7969 cost is?

A. No sir.

Q. You think the average haul of a local train is about 70 miles per day?

A. Yes sir.

Q. And about 125 for the through?

A. Yes.

Q. Isn't it true that on many of the lines, take for example the Frisco, while they have short branches, they run the trains over several branches in one day. They do not simply trot backwards and forwards between the termini of the one branch?

A. I am not familiar with such a condition as that.

Q. You are not familiar with that?

A. It does not maintain where I am familiar with the situation.

Q. You say there is a greater amount of loss of freight in local business than in through?

A. There is a greater amount of damage, yes.

Q. But finally the damage becomes material to you, inasmuch as it results in loss?

A. Yes sir.

Q. Isn't there a loss that is peculiar to the large terminals, and therefore affects the through freight more? For example, isn't the loss from theft that you experience, by far the greater part of it in your big terminals?

7970 A. That has not been my experience, no sir.

Q. That cars are broken into more, and looted in the big cities than in the country towns?

A. No sir, that had not been my experience.

Q. You say the ordinary life of a local engine is about two-thirds that of the through engine, measured in mileage?

A. Yes sir, that is approximately correct.

Q. Isn't it a fact that you use the engine, when you get a new one, at first on your through runs, and then shunt it off on the local?

A. No sir, that is not necessarily a fact.

As a matter of fact it is not true in all cases. It is in some?

Q. Isn't it generally true, and isn't it particularly true as a rule on the Frisco Road in the State of Missouri?

A. I don't know so much about the Frisco. It is not true as regards the line I am fa-iliar with.

Q. You are not in the habit of buying a new engine of lower efficiency and putting that on a branch, are you? Your tendency is to buy engines of the highest efficiency, to use them where they are required, and then to put into the branch service the engines whose efficiency has become impaired by use. Isn't that the practice?

A. As a general rule that is true.

The engine on the branch line, as you call it, is governed
7971 entirely by what the traffic requirements are. If it requires a large engine, it is put there.

Q. I suppose you may have a branch where the business is as exacting as on any of the main lines. But you take these little branches where the business is not exacting, and you are pretty sure to send an engine there that has been more or less battered up in use?

A. Well, no. It may be of an old type, but as a rule it is in good condition; in just as good condition as your new engine, with the exception possibly some of the minor parts may not be. In other words, the engine has just gone through the shops.

Q. Exactly. The engine has just gone through the shops and is in good repair when you send it there. But isn't it true, none the less, that it is closer to its last day than the new engine is, no matter how good the repair it is in?

A. That depends entirely on your branch and your business.

Q. Aren't there things about an engine just like there are about a human being, that do not admit of repair?

A. No sir, I don't think so.

Q. Some things that just wear out, and no power of repairing can stop it?

A. No sir, I don't think that is true.

Q. Then why do you ever "scrap" an engine?

A. Because it gets to a point where it is not profitable

7972 *it.*

Q. Exactly.

A. It can be repaired, but it is not profitable to do so.

Q. It is worn out?

A. It is not a good business proposition to do it.

Q. It is worn out?

A. It is not a good business proposition to do it.

Q. It is worn out as distinguished from breaking down. A bran new engine out of the shop may break down and you repair it?

A. Yes.

Q. But when you send your engine to the scrap heap it is not so much because it is broken down as because it is worn out?

A. Well, it is worn out so much that it will cost more to put it in good serviceable condition than it is a good business proposition to expend on the locomotive.

Q. Mr. Whitenton doesn't it reach the point that it is not in human power to put it in good serviceable condition, regardless of cost?

A. I don't think so. I may be mistaken, but I don't think so. I think anything created by a human being, like an engine, can be repaired and put in good condition.

Q. You mean by putting in a new smoke stack and so on, until it finally gets like the old rifle?

A. Yes, keep on rebuilding and repairing.

7973 Questions by Mr. LADD:

Q. Mr. Whitenton did I understand you to say that it costs less per mile to transport an inter-state passenger than a trans-state passenger?

A. I don't recall answering that, no sir.

Q. I understood you to say that—you know what we mean here by trans-state passenger.

A. Yes, sir.

Q. A man coming from one state and passing through Missouri to his destination in another state?

A. Yes, sir.

Q. I understood you to say that it cost less per mile to carry that passenger than one starting or terminating his journey in this state?

A. I said in my opinion a trans-state passenger did not have any terminal within the state; and consequently the terminal expense of that passenger to the state business, so far as it affected the state, would not be worth considering, it would be so small.

Q. It is not anything. There is not any terminal expense for the passenger passing through the state: is that the idea?

A. Yes, sir, that is the idea I am trying to convey.

Q. That is one of the Rock Island passenger folders, which I hand you. There is a train on there, No. 1, which I think is called your Golden State Limited, which runs through sleeping cars according

to that folder, from Chicago to El Paso, and also through
7974 tourist cars from Chicago to Los Angeles: that is right, isn't it?

A. Yes, sir.

Q. It leaves Chicago at 11.30 p. m. and arrives at Kansas City at 8:15 p. m., leaves Kansas City, continuing on its journey west at 10:15 p. m.: now at Kansas City isn't that train entirely remade? It is here one and three quarters hours?

A. No, sir, the through cars in that train take care of the through people.

Q. I understand, but isn't that train made up?

A. Other cars are put on it to take care of additional business.

Q. And it stands one and three fourths hours in the station here?

A. Probably.

Q. It stands in the Union Depot?

A. I don't think it stands in the Union Depot here.

Q. It stands somewhere. It comes into the Union Depot, and it has to go out of the Union Depot?

A. It is in Kansas City about one and a half or one and three fourths hours.

Q. Where are those El Paso and Los Angeles cars during that time?

A. They are in the Union Depot part of the time, and part of the time they are on the tracks outside of the Depot.

Q. They are moved around then?

A. Necessarily they have to be moved around.

7975 Q. Isn't there some terminal expense, moving those cars around?

A. There might be in that case.

Q. While those cars are standing in the Union Depot, they come in there at 8:15 and leave at 10:15, you have one twelve section car, holding twenty-four passengers all the way from El Paso to Chicago, and the same number of passengers in the tourist car; most of those passengers are likely to get out of the train on a journey of that sort?

A. Most of them can get out if they want to.

Q. They are likely to get out, aren't they?

A. If they want to, they can.

Q. They are in just as much danger leaving those cars here in Kansas City, as if they were state or inter-state passengers? and just as liable to expense?

A. That has nothing to do with the terminal. We don't have to provide a place for them to get out.

Q. But you spoke of casualties in passengers getting on and off the trains?

A. As long as you have passengers in your cars you are liable for casualties.

Q. There is a terminal service in that connection?

A. None at Kansas City.

Q. None at all?

A. No, sir, this is simply a through movement. The train is held

up thirty to forty minutes, or one and a half hours, whatever
7976 the time may be, to get the necessary——

Q. You——

Mr. HAGERMAN: Let him finish his answer.

A. It is held for operating reasons, to let the passengers out, or whatever they want to do. We must give the train some time here to get through the terminal. All through trains in and out of Kansas City have some time here.

Q. The engine is changed?

A. Not necessarily.

Q. Isn't the engine changed?

A. On that particular train it might be.

Q. Isn't it probably changed?

A. There are trains that run through and the engines are not changed at Kansas City.

Q. How do you think it is with that train, what would you say?

A. On that particular train I would not say positively. I know a year ago the engine was not changed at Kansas City.

Q. Those two cars, the sleeping car and the tourist car, at least those, have the use of the terminals at Kansas City. They occupy a certain place on those terminal tracks for one and three fourths hours, in either one place or another?

A. Yes.

Q. And they have to be coupled to the rear of the train. That does not run straight through to El Paso?

A. The baggage car and some of the coaches run through?

7977 Q. It does not run entire from Chicago to El Paso? Isn't there a change made here?

A. Other cars are added to it, but it is a through train. Other cars are added to take care of additional business out of Kansas City.

Q. Please look at your No. 4 on that folder. I believe that is the companion or sister train coming from the other direction. That train leaves El Paso at 1:15, reaches Kansas City at 9:15, and does not leave until 10:15 on its way to Chicago?

A. That is true.

Q. Isn't there a terminal service there?

A. I don't see where it comes in.

Q. Isn't it a fact that that car has nothing to do with it, stands in this terminal for one and a half hours, a terminal service is rendered that car, and the passengers in that car?

A. No more so than any car at any station.

Q. That car has to come into those terminals in order to get out?

A. Yes, sir.

Q. Isn't that a service?

A. Yes, sir, that is a service.

Q. Look at your No. 11 on that folder: that train runs to Ft. Worth and Dallas. You have an electric lighted sleep- from Ft. Worth to Dallas. It is a through car. It leaves Chicago at 6 p. m.,

arrives at Kansas City at 8:45 a. m. and does — leave Kansas
7978 City until 11 o'clock. It is here two hours and thirty-five minutes before it goes out. Where is that car during those two hours and thirty-five minutes?

A. It is in the same condition as the other car mentioned.

Q. It is in these terminals?

A. Yes, sir.

Q. And all these passengers may be through passengers from Chicago to Ft. Worth and Dallas?

A. Yes, sir.

Q. Then don't you render those passengers a terminal service?

A. No, sir.

Redirect examination by Mr. FRANK HAGERMAN:

Q. If they are rendered a terminal service here, then every station on the line would be rendering a terminal service to that train?

A. Yes, sir.

Q. In any event, take a place like St. Louis, where nearly all roads have no eastern outlet for their trains, and this question of dropping off and taking on the eastern train and going on, that kind of a terminal service is an inconsiderable thing?

A. I consider it so.

Q. So you still adhere to the opinion you expressed in your
7979 direct examination as to the trans-state passenger?

A. Yes, sir.

Q. That there was substantially no terminal service?

A. Yes, sir.

Q. As to the other class of inter-state passenger, there was at least one terminal service, and for all state passengers at least two terminals?

A. That is correct.

Q. Mr. Lehmann asked you whether there was any trans-state business through St. Louis: what was your answer to that?

A. I don't recall now.

Q. Probably I can state it sufficiently for the purpose of my question, with the possible exception of the Wabash; I don't know how that is. So far as any train running west, south or north of St. Louis, none you know of have through trains running on east?

A. I don't know of any. I am not very familiar with the St. Louis terminals.

Q. And the trans-state passengers there coming in on the Frisco, for instance, from outside the state, and bound east or north, where it is just a question of passing through the station, you step from one train to the other taking the other train there?

A. Yes.

Q. But there are a large number of trains operated by these roads in Missouri, where it is purely trans-state business in the
7980 sense of having the entire train go through, aren't there?

A. Yes, sir.

Q. Take the Santa Fe. They run a considerable number of trains from Chicago east?

A. Yes, sir.

Q. And then, as to a great many of the roads, practically all the trunk lines, do a trans-state business either by transferring to other lines at the western border of the state or at the eastern border?

A. Yes, sir.

Q. So practically all the railroad business in Missouri is made up in a very large part of trans-state business?

A. Yes, sir, I think that is true.

Q. In making these estimates, or giving these opinions as to the increased cost, I think possibly Mr. Lehmann called your attention to many elements I did not mention, and you did not mention in direct examination: as I understand you, in your judgment, after taking into consideration every element, that is your estimate?

A. Yes, sir.

7981 R. E. KIMBELL, a witness of lawful age, being *during* produced, sworn and examined on the part of complainant, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. What is your position with the railroad company?

A. Assistant General Auditor of the St. Louis and Southwestern Railroad.

Q. That is the railroad generally known as the Cotton Belt?

A. Yes sir.

Q. Running from St. Louis down through Missouri into Arkansas?

A. And into Texas, yes sir.

Q. What is the character of traffic, as to its being similar in the states of Missouri and Arkansas?

A. It is very similar. It is largely a lumber traffic and cotton from the south end.

Q. Through traffic or inter-state traffic would be practically the same in both states?

A. Practically so.

Q. And there is a practical similarity as to the state traffic, you say?

A. I think so, yes.

Q. There is litigation pending down in Arkansas, I believe over the freight and passenger laws of that state?

A. Yes sir.

7982 Q. You have had charge of some tests that you were making for the purpose of giving some figures to the experts in that state?

A. I have undertaken to determine by a test the difference between the train cost of state and inter-state traffic.

Q. By actual tests?

A. Yes sir, by actual tests.

Q. And are those tests completed yet?

A. They are not. I made these tests during the month of Octo-

ber, to cover every train running in October, during the month of October, and the data has not been worked up, up to the present time.

Q. Have you got it all complete?

A. No sir.

Q. If you complete it before we get through the trial of these cases, you will come back to us with it?

A. Yes sir, I will be very glad to do so.

Q. How much of your data have you complete at this time?

A. It is practically complete. My men are now engaged in summarizing it.

Q. What is summarized?

A. I have taken two local trains and two through trains, for the entire month of October, and summarized the results of the two.

Q. Have you the summary of that test with you?

A. I have.

7983 Q. And it is accurate?

A. It is to the best of my knowledge and belief.

Q. Have you the copies here?

A. Yes sir.

The witness here produces statement.

The paper referred to is marked Complainants' Exhibit No. 6. Complainants' Exhibit No. 6 is in the words and figures following, towit:

Q. That shows the actual performance of one through train each day between Jonesboro, Arkansas, and Pine Bluff, Arkansas, those are two division points, are they?

A. Yes sir.

Q. What distance apart are they?

A. One hundred miles.

Q. Also one local train between Fair Oaks, Arkansas, and Pine Bluff, Arkansas, a distance of ninety-four miles?

A. Yes sir.

Q. Are those divisional points?

A. For the local points, yes sir. They are the termini of the local runs.

Q. What does that show the average cost per train mile for the through and local trains respectively to be?

A. The average cost per train mile for the through train is thirty-six cents, and for the local train is forty-four cents.

Q. What does it show for the commercial ton per mile for through trains and for local?

A. For the through train .00059 cents, and for the local .00356 cents.

7984 Q. What did it show as to the fact that notwithstanding the through trains cost less per train mile of freight handled thereon, less per ton per mile on local trains, as to the number of times commercial tons?

A. There were practically five times as many ton miles carried on the through train as on the local train for each mile run.

Q. What was the average number of cars per train mile in the through and in the local trains?

A. Through trains forty-four, local nineteen.

Q. What was the average number of loaded cars per train mile in through and local trains?

A. Through trains thirty-eight; local trains eleven.

Q. What were the average tons of commercial freight per train mile in the through trains as against the local?

A. Six hundred tons on the through trains and one hundred and twenty-five on the local.

Q. What was the average number of tons of commercial freight, less-than-carload lots, loaded in through trains and in local trains?

A. Per loaded car mile?

Q. Yes.

A. Seven on the through trains and four on the local train.

Q. And the average tons of commercial freight per loaded car mile, car-loads?

A. Nineteen on each class of trains.

7985 Q. What was the average number of ton miles of dead weight to a ton mile of commercial freight?

A. On L. C. L. business three and a half tons; that is on through trains. And 12.3 on the local trains.

Q. By L. C. L. you mean less-than-carload lots?

A. Yes sir.

Q. Go on?

A. Carload lots, 1.3 tons on the through trains, and 2.3 on the local trains.

Q. And as to both?

A. 1.5 on the through trains and 3.5 on the local trains.

Q. What was the per cent of dead weight to gross weight on the through trains?

A. The through trains 60%.

Q. And the locals?

A. 79% of the locals.

Q. What do you mean by dead weight?

A. I mean the total non-revenue weight. That is, the weight of the locomotive, the caboose and all the cars. That is what we call dead weight in railroad parlance.

Q. On through business that is 60% of the entire weight?

A. Yes, exactly.

Q. And on local business 79%

Q. Yes sir.

Q. So in the item of dead weight alone there was a difference of 19%

7986 A. Yes sir.

Q. Or practically one-fifth?

A. Yes sir.

Q. The percentage of over-time to regular wages of the train and engine men is what?

A. The through train percentage was 4% of the regular wages paid, and on the local trains 28% of the local wages paid.

Q. You mean by "over-time," the extra time you are required to pay for?

A. Yes, over and above regular wages.

Q. And upon the through trains it amounted to only 4% and on the local trains 28%

A. Exactly.

Q. What as to the state tons one mile of commercial freight, as compared to the total?

A. Of the total ton miles of commercial freight carried, 5% was state and 95% inter-state.

Q. And what was the cost?

A. The average cost of the commercial ton per mile on state business was .00320 cents, and on interstate .00078.

Q. Take the local trains, what per cent of the commercial ton miles were state and what per cent interstate?

A. On the local trains 44% was state and 56% inter-state.

Q. What proportion of the total state commercial ton miles did the 44% represent?

A. I don't believe that question sits, exactly, Mr. Hagerman.

7987 Q. I don't know that I catch your meaning exactly. I have a memorandum here which states "On local tons 44% was state and 56% was inter-state.

A. That is correct.

Q. 44% state freight represents 87% of the total commercial freight carried?

A. Of the total state business handled, 87% of it was handled on the local trains. It was approximately six times as expensive per ton per mile as the through train.

Q. Six times as much?

A. Practically so.

Cross-examination.

By Mr. LEHMANN:

Q. You are the Assistant Auditor of the Cotton Belt?

A. Yes sir.

Q. That is the popular name by which it is called?

A. That is the name by which it is known.

Q. You have made up this statement, a copy of which has been handed me, from data furnished you by men you sent out?

A. Yes sir.

Q. To observe the performance of these trains?

A. Yes sir.

Q. And what you have done with respect to the Cotton Belt in Arkansas, could be done with respect to any road, so far as concerns Missouri, couldn't it?

7988 A. At very considerable expense, yes, but it could be done.

Q. You have no patent on compiling this information in this way?

A. No sir, not at all.

Q. How many lines have you in Arkansas?

A. We have 452 miles and the railroad consists principally of the main line extended from the Missouri state line to the Texas state line. We have a branch known as the Stutgart branch, about 38 miles; another one known as the Little Rock branch, about 44 miles, and another one known as the Shreveport, Louisiana, branch, part of which is in Arkansas.

Q. You have taken two trains, one through train running from Jonesboro to Pine Bluff, and a corresponding train running the other way?

A. Yes sir.

Q. That is on your main line?

A. Yes sir.

Q. And a busy part of your line?

A. Yes sir.

Q. Then you have taken a local train between Fair Oaks and Pine Bluff, Arkansas, one train each way?

A. Yes sir.

Q. Is that local run included within that through run?

A. Yes sir, that is why I took it.

Q. The lesser part of the through run, but identical with it so far as it goes?

7989 Q. How many through trains have you between Jonesboro and Pine Bluff daily?

A. Probably we have four or five. It depends largely on the business. We will run extra trains if we have the business to handle.

Q. How many do you run regularly?

A. We run one regular train, and if we have enough business, we will run all the way up to five and six.

Q. How many local trains have you between Fair Oaks and Pine Bluff?

A. One each way a day.

Q. What is the character of the freight you handle?

A. It is largely lumber on our line; probably 50% of our tonnage is lumber.

Q. 50% of your tonnage?

A. That may not be true as to these particular trains, but taking our total tonnage in the aggregate, it is about 50% lumber.

Q. That would be probably true of these trains?

A. Very likely.

Q. What else do you haul? Take your staples?

A. We handle cotton to a large extent.

Q. Can you make an estimate of the relative proportion of cotton to your entire haul?

A. Cotton is probably about 10% of all our tonnage.

7990 Q. What else is there, taking the staples?

A. We handle grain, but not to any great extent. It is a very small percentage. We handle quite a little merchandise. We handle hay from the central portion of Arkansas.

Q. That would be involved in this haul here?

A. Some, yes.

Q. You have a much larger proportion of through freight than would be true in Missouri, haven't you?

A. I would say some less on our own line than Missouri, for the reason that the Missouri end of our line is the funnel of the line and everything concentrates there.

Q. You say you have more through freight?

A. We would have more through freight on the Missouri end than in Arkansas.

Q. The local business in Arkansas is larger than the through business?

A. It is some larger on the Cotton Belt in Arkansas than in Missouri.

Q. I mean as to railroads generally?

A. I cannot answer as to that.

Q. In this statement you have taken the tons one mile. I was a little confused. Mr. Hagerman, I think, did not follow in order. You have it here on your through trains, tons one mile, commercial freight, less-than-carload lots, 13,714 ton miles?

7991 A. Yes sir.

Q. And inter-state 484,019 ton miles?

A. Yes sir.

Q. In other words, your less-than-carload lots were 98% inter-state and 2% state?

A. Handled on through trains, yes.

Q. That involves, I take it, frequent stopping at stations of these through trains, doesn't it?

A. No sir.

Q. Your less-than-carload lots means delivered at way stations, doesn't it?

A. No sir, less-than-carload lots handled on these thro' trains, represents through less-than-carload business. It is largely business from St. Louis to Texas. If distributed at local points on the line it would be handled on the local trains from some division point.

Q. How do you come to handle any less-than-carload lots of purely state freight on that train?

A. There is bound to be a little of that picked up. As you see it is a very small proportion.

Q. Carload freight is one per cent of state, and 99 per cent inter-state?

A. It is practically inter-state.

Q. It is practically all inter-state?

A. Yes.

7992 Q. On your local trains you have less-than-carload ton miles, 44,025, or 46%?

A. Yes sir, of the total less-than-carload business handled on local trains.

Q. And of carloads you have state 232,546 ton miles, or 43% of the whole?

A. Yes sir.

Q. So that on your local trains 44% is state business, and 56% inter-state?

A. Yes.

Q. The division as between carload and less than carload is pretty nearly in the same proportion?

A. Fairly so.

Q. Not exactly, but nearly so.

A. Yes sir.

Q. Where does that inter-state freight on those trains come from?

A. On the local trains?

Q. Yes?

A. That would probably be business from St. Louis, brought down to the terminal where the local train starts to distribute it along the route, or possibly Memphis and beyond.

Q. And this state business?

A. Is picked up indiscriminately en route.

Q. You have made your comparison here between through and local on those trains; why is there a difference there, sir. Kimbell? I don't quite understand between the number of trains

7993 run?

A. The through trains run every day, and the locals do not run on Sundays. It makes a difference of eight trains. There are four Sundays included, and two trains involved.

Q. I do not see why there should be any difference?

A. You see the through trains run every day.

Q. Oh yes, and you show here relatively the number of train miles you get by some process of multiplication?

A. Yes sir.

Q. Your local car miles you get how?

A. By counting the actual number of miles made by each car in each train.

Q. You count the cars, and you then count the miles?

A. Yes.

Q. That is, the distance that car travels as a loaded car?

A. Yes sir.

Q. Or, rather, each and all of them travel as loaded cars?

A. Yes sir.

Q. And the same is true of the local trains?

A. Yes sir.

Q. Then your empty car miles indicate the number of empty cars that were hauled on those trains?

A. Yes, the number of empty cars hauled in these trains.

Q. It does not follow that those empty cars were used purely in local business. You make a sort of convenience of your local trains for purposes of that sort, don't you?

7994 A. It is quite true that the local trains distribute empty cars.

Q. That would be indicated by the fact that it is quite out of proportion with all your other figures?

A. Yes, that is so.

Q. You dump a little on your local train?

A. We must of necessity do that, of course.

Q. You make a convenience of it, and make it serve the through business as much as possible?

(No answer.)

Q. Your ton miles of dead weight, including the engine, caboose, all cars and company freight,—that means empty cars and everything?

A. That is the total ton miles of all non-revenue tonnage.

Q. Everything that is hauled that does not pay?

A. That is the idea.

Q. And you have that, about 8,000,000 ton miles?

A. On the through trains.

Q. And 2,421,425 on the local trains?

A. Yes sir.

Q. You do a little dumping there, don't you, that is a little out of proportion.

You have loaded car miles six times as many on through as on local trains, while you have only three times this dead weight on the through trains as against the local?

A. Those are the actual conditions.

7995 Q. But doesn't it come about just as the excess of empties on the locals?

A. Possibly so.

Q. The average of cars per ton mile is 44 on the through and 19 on the local; I do not get the significance of that?

A. For every mile a through train runs, she carries 44 cars, and for every mile a local runs she carries 19 cars. That includes empties and loads.

Q. The average loaded cars per train mile is 38?

A. 38 for the through trains, and 11 for the local trains.

Q. And the disparity in proportion of loads and empties is due to the fact that you put a little of the empty work on the local trains—you see there is a disparity of proportion?

A. There is some more for through than local.

Q. The average tons of commercial freight per train mile, is 600 for the through and 125 for the local?

A. Yes. That means for every mile a through train ran, it carried 600 tons of freight; and for every mile a local train ran it carried 125 tons of freight.

Q. Average tons, commercial freight, per loaded car mile, L. C. L., 7 tons on the through, and 4 tons on the local?

A. Yes.

Q. You loaded up your cars about the same?

A. The average car-load is about the same on each class of train.

7996 Q. Your next heading there, average ton miles, dead weight to a ton mile of commercial freight, L. C. L., is 3.5 of the through, and 12.5 on the local?

A. Yes.

Q. And then on the carload, it is 1.3 and 2.3?

A. Yes.

Q. It is not quite four times as much in the less-than-carload, and not quite twice as much in the carload?

A. Yes sir.

Q. And on the total?

A. It is 1.5 to 3.8—about 2½ times, roughly.

Q. The per cent of dead weight to gross weight of train, is 60% in the case of the through, and 79 per cent in the case of the local?

A. Yes.

Q. I don't get that, Mr. Kimbell.

A. Of the total tonnage of the through train, 60% of it was dead weight, and 40% was commercial freight, revenue paying tonnage. Of the local train 79% was dead weight, and 21% was paying tonnage.

Q. The wages of the engine men were $675.16: what do you mean by that?

A. I mean the actual wages paid the engine men for these two through trains for the month.

Q. The statement itself does not show that. Those were the actual wages paid those trains doing the business as disclosed by
7997 this statement?

A. Yes sir, that is it exactly.

Q. And the same is true of the train men?

A. Yes sir.

Q. And you include the firemen in the train men, I take it?

A. No sir, the firemen are included in the engine men.

Mr. HAGERMAN:

Q. The engine men include all the men on the engine?

A. Yes sir.

Mr. LEHMANN:

Q. Then you have over-time paid each of those men?

A. Yes sir.

Q. And fuel for locomotives?

A. Yes sir.

Q. And train costs, items named?

A. Yes sir.

Q. That is the total train cost for labor and for fuel?

A. Yes, labor and fuel.

Q. And the average cost per train mile on the through is 36 cents, and on the local 44 cents?

A. Yes sir.

Q. And the average cost per commercial ton per mile, is what?

A. .00059 cents.

Q. That is predicated on what?

A. That is the commercial tons per mile divided into the
7998 cost. In other words, that total of 5,283,585, at the top there, the first item in the group to the right, that is the commercial ton miles, divided into the total train cost of the items named?

Q. That gives you what?

A. .00059 cents.

Q. That gives you .00059 cents per ton per mile to haul that through freight?

A. Yes.

Mr. HAGERMAN:

Q. That is only the cost of the train service, isn't it?
A. Yes sir, the train service.

Mr. LEHMANN:

Q. It is limited to exactly what the statement shows?
A. Yes sir.
Q. It is six-tenths of a mill?
A. Yes, practically so.
Q. And on the other it is .00356 cents?
A. Yes.
Q. And here below on the statement is your summary?
A. Simply dividing state and inter-state.
Q. You get that summary of train cost, of through and local trains, consolidated? Tons one mile, commercial freight?
A. 319,364 tons of state freight. It consists of that first item at the top, 42,793, added to the group under it, of 276,571.
7999 Those two added together make a total of the commercial ton miles handled on both trains.
Q. Then how do you get your results there?
A. We take the total cost and divide it between the through train and the local train, and get $1022.84 chargeable to state freight.
Q. How much do you charge to state freight on the through trains?
A. We take the through train $3143.20, and that is divided between state and inter-state on the basis of commercial ton miles in through trains. In other words 1% is state and 99% inter-state. That is the top group in the statement.
Q. Yes?
A. Then we do likewise on the local train: $2,253.21, and divide that, 44% to state and 56% to inter-state. That is based on the ton miles handled in the local trains.
Q. Now the sum of those added together?
A. Produces for state the lower group at the bottom of the page, $1,022.84, and inter-state, $4,373.57. That is not worked out in detail there, but it is very easily proven.
Q. You get the train cost, then, the wages and fuel, for the state, $1,022.84, and inter-state $4,373.57?
A. Yes sir. Now by dividing the commercial ton miles, $19,364 into the state cost, chargeable to state business, we reach the result of .00320 cents per ton per mile; and on inter-state, .0078
8000 cents per ton per mile. The difference in cost between the two is 4.1 times greater for state than inter-state.
Q. That is, on this particular service?
A. Those particular items of expense.
Q. You use your best type of locomotive on your through trains, don't you?
A. It so happens that on those particular runs, the locomotives very much correspond. The one on the local is about as heavy as the one on the through.

A. The rule is to put the heaviest, and the new ones on the through runs?

A. I think so, the operating men can tell you more about that.

Q. While the type is the same, the local engine is usually an old engine, isn't it?

A. Possibly so, I cannot answer that.

Q. This tabulation you have made, Mr. Kimbell, does not include all your business in Arkansas for that month?

A. No sir.

Q. Neither does it include all the business done on all portions of the line?

A. No sir, as the heading of the statement indicates it is two through and two local trains each way a day for a month.

Q. One each way, isn't it?

8001 A. Yes, it is two trains a day, one each way.

Q. Of each kind?

A. Yes.

Q. How much mileage have you in Missouri?

A. 152 miles.

Q. Where is that mileage?

A. It extends from Illmo, which is the west approach of the Thebes bridge, to the St. Francois river, and from Bird's Point, which is on the Missouri side of the river, west of Cairo, to Malden, Mo., with a little branch of about six miles, called the New Madrid branch.

Q. You come up through Illinois, coming to St. Louis?

A. Yes.

Q. From Thebes to St. Louis?

A. Yes.

Q. Coming over the Merchants' Bridge?

A. Yes.

Q. You have done nothing of this kind with respect to your operations in Missouri?

(Counsel indicates statement.)

A. No sir.

8002 Redirect examination.

By Mr. HAGERMAN:

Q. When in the latter part of the statement you refer to the average cost per train, per ton, etc., you are referring to the cost as stated already in the statement, wages of engine men, train men, over-time and fuel?

A. Yes.

Q. The net result as finally summarized, is that although the state trains carried 5% of the tonnage, they did it at a train cost of 20% practically of the whole expense?

A. Yes sir.

Q. And it actually cost, according to that experiment, 4.1 times more for the state than the interstate?

A. Yes sir, those are the results.

Mr. LEHMANN:

Q. Was the state of Arkansas represented in making those tests?
A. No sir, they were made entirely of my own motion.

8003 KANSAS CITY, MO., *December* 15, 1908.

Court convened, pursuant to adjournment at 9 o'clock in the forenoon on Tuesday, December 15, 1908.

Present: Parties as before.

The following proceedings were had:

ALEXANDER DOUGLAS, recalled, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. When you were on the stand before you were given a list of questions by counsel on the other side as to which you were to get the information and answer later?
A. Yes sir.
Q. Have you looked that up and prepared your answers, or compiled the information from which they were made?
A. Yes.
Q. The first question given you was "Give the number of passengers carried on the system for the years ending June 30, 1907, and June 30, 1908.
The COURT: What system was this?
A. The Frisco System.
The number of passengers carried during the fiscal year ending June 30, 1907, was 7,453,409.
And during the year ending June 30, 1908, it was 8,428,183.
The increase was 974,774, or 13%.

8004 Q. You gave the amount of increase there, did you, 974,774?
A. Yes sir.
Q. The second question was "Give the number of passengers carried one mile for the years ending June 30, 1907, and June 30, 1908, on the system?"
A. For the year ending June 30, 1907, there were carried 357,891,225 passengers one mile.
For the year 1908 there were carried 414,178,289 passengers.
That shows an increase in the latter year of 56,287,064, or 16%.
Q. That is, you have answered so far that the natural increase of passengers was 13%, taking the year from 1907 up to 1908?
A. Yes sir, for the two years.
Q. When you figured it upon the basis of passengers carried one mile for the two years, the natural increase was 16%?
A. Yes.
Q. That was before the two cent fare went into effect?
A. No sir, the two cent fare went into effect during the year 1908?
Q. 1907, wasn't it?
A. It was the fiscal year 1908.

Q. Your years run to June 30, 1907, that is your fiscal year?

8005 A. Yes.

Q. The law went into effect on either June 14 or June 17, so, practically, when you say the year up to June 30, 1907, that is before the law went into effect?

A. Yes sir.

Q. And when you say up to June 30, 1908, that is after the law went into effect?

A. Exactly.

Q. Bearing that in mind, and taking the entire system, the increase of passengers was 13% for the entire year?

A. Yes.

Q. And for the passengers carried one mile the increase was 16%.

A. Yes sir.

Q. What was the revenue increase or decrease during that time?

A. The revenue on passenger business decreased $242,363.53.

Q. Give those figures, the passenger revenue, for the year ending June 30, 1907, before the two cent fare went into effect?

A. The passenger revenue for the fiscal year June 30, 1907, was $9,169,400.43.

Q. And for the year ending June 30, 1908, after the law went into effect?

A. $8,927,036.00.

Q. That made a difference you say in the way of a decrease of $242,363.53?

A. Yes sir.

8006 Q. What per cent of decrease in revenue was that?

A. 2.6%.

Q. Although the number of passengers had increased 13%, the revenue had decreased 2.6%?

A. Yes sir.

Q. What has been the average increase in the number of passengers per year, heretofore?

A. It has varied from 10 to nearly 20%.

Q. 13% would be really less than the average?

A. Yes sir, about the average.

Q. And by the natural increase you mean going back over the system for a great number of years?

A. Yes.

Q. The third thing you were asked to ascertain about was, what was your annual expenditure for maintenance of way and structures per mile on your system for the year ending June 30, 1907, and also for the year ending June 30, 1908?

A. For the year ending June 30, 1907, the expenditures for maintenance of way and structures were $1,103.00 per mile.

And for the year ending June 30, 1908, they were $952.00 per mile.

Q. The next question was, "what was your annual expenditure per mile of road on the system for maintenance of equipment for

the year ending June 30, 1907, and also for the year ending June 30, 1908?"

A. The expenditures for maintenance of equipment for the
8007 year ending June 30, 1907, were $929.00 per mile.

And for the year ending June 30, 1908, they were $910.00 per mile.

Q. The next question is "what was your annual expenditure for maintenance of way and structure per mile of road in the State of Missouri, for the year ending June 30, 1908"?

A. Maintenance of way and structure per mile of road in Missouri, for the year ending June 30, 1908, were $916.00 per mile.

Q. The next question is "what was your maintenance of equipment expenditure per mile of road for the State of Missouri, for the year ending June 30, 1908"?

A. The expenditures for maintenance of equipment for that period were $953.00 per mile.

Q. Those figures which you did not give when you were on the stand before, are all figures which are contained in your annual report?

A. Yes sir.

Q. And that is the document you handed to the counsel on the other side?

A. I believe they were furnished with a copy?

Q. And that was one of the documents opened to the experts on the other side any minute they wanted it?

A. Yes sir.

Q. And there was no trouble on earth at any time the experts on the other side wanted that information to have it furnished to them.

8008 A. Information for the system, yes sir.

Q. I want to ask you those questions because of the fact that some public notoriety was attempted to be made—I do not say by the other side, but by other people, that there was some disposition on the part of the railroad not to disclose these things to the other side.

Mr. LADD: You are mistaken, Mr. Hagerman.

Mr. HAGERMAN:

Q. All the books and documents are there in your office, and the State's experts could have them if they wanted them?

A. Yes sir.

Q. And the minute they asked for them they got them?

A. Yes sir.

Q. And these things you figured out for them are things they could have figured out for themselves any time they wanted it?

A. For the system, yes sir.

Q. They only asked you for the system?

A. Yes sir.

Q. I notice that the expenses under certain heads have been less for the year since the two cent fare went into effect than they were before?

A. Yes.

Q. Do you know it to be a fact that the railroad companies have put forth every energy that was possible in the way of economy, to make up as far as possible,—an extraordinary effort in fact
8009 to make up for the loss they at least thought they were sustaining under these laws?

A. Yes sir, there were drastic reductions in every department.

Q. What were some of the things that went to reduce expenses, some of the drastic methods they adopted in order to meet what they thought would be a great loss to them?

A. There were reductions in the pay rolls, repairs were postponed on certain things until they could be done, and the money could be obtained. Simply a reduction in labor and material both, in the broad sense.

Q. Necessary construction work was put off?

A. All important work was postponed.

Q. Contracts contemplating future work were cancelled?

A. Yes sir.

Q. Contracts contemplating large work were cancelled?

A. Yes sir.

Q. That is to say, your railroads had to run and your fixed charges had to be met in some kind of a way?

A. Yes sir.

Q. And you had to do every thing that was possible to make both ends meet with the reduction that was proposed by those different states.

A. Yes, and it was a difficult matter to do it.

Q. You have said that this information came from the annual report, and a good many questions were asked you about the
8010 annual report. Have you a copy of the annual report there?

A. Yes sir.

Q. Showing the entire system?

A. Yes sir.

Q. This report you have given me is for the fiscal year ending June 30, 1908?

A. Yes sir.

Q. Was that made up by you?

A. Yes sir.

Q. And is it correct?

A. It is correct and has been verified.

Q. In view of the various questions that have been asked, I will ask you to produce that as an exhibit in this case.

The pamphlet referred to, being Annual Statement of the St. Louis & San Francisco Railroad for the fiscal year ending June 30, 1908, is offered in evidence, and is marked "Complainant's Exhibit Annual Statement 1908."

Mr. HAGERMAN:

Q. I show you a paper, being a memorandum made by you, showing the number of miles of road and the bond and stock issue of your company?

A. Yes sir, I have a copy of it here.

Q. The total number of miles of road owned by you, in the system, is what?

A. 5,023.10 miles.

8011 Q. And for Missouri?

A. 1713.97 miles.

Q. What per cent is the mileage in Missouri; of the whole?

A. About 35% in round numbers.

Q. Your bond issue is what?

A. $198,480,381.85.

Q. What rate of interest do those bonds bear?

A. They vary from four to six per cent.

Q. In the statement already submitted, I believe you have given the total amount of interest?

A. Yes.

Q. That bond issue per mile is what?

A. $39,513.52.

Q. That makes the bond issue for Missouri what?

A. $37,724,987.87.

Q. In your statement already submitted, where you gave the summary of expenses and receipts, the total valuation upon the basis of the State Board's action, that is to say the State Board's assessment being multiplied by three, was what?

A. $61,238,414.70.

Q. How much less is that total valuation upon that basis, that is, the total valuation of the State Board upon that basis, than the amount of the bond issue in Missouri?

A. $6,500,000 in round numbers, less.

Q. Your total stock issue for the system is what?

A. $50,000,000 of the Frisco Railroad.

8012 Q. And your stock issue per mile is what?

A. $9,954.00 per mile.

Q. For the state is what?

A. On the mileage basis, $17,060,874.00.

Q. For one mile it is $954,012. And for the 1713 miles it is this $17,000,000 and a fraction?

A. Yes.

Q. I observe that the stock issue there is only $50,000.00 as against a bond issue of $198,000,000: what is the authorized capital of the company?

A. $200,000,000.

Q. And the bonds come within a million and a half of that authorized capital?

A. Yes.

Q. But the actual stock issue is only 25% of the total that is authorized?

A. Yes sir.

Q. Turning back a moment to the first page of your exhibit one, where you have the expenses undivided as between state and interstate, you have an item there of rental $85,101.91?

A. Yes.

Q. How much of that is made up of rentals paid for the Ft.

Scott and Memphis Railroad, upon what is known as the Trust Certificates?

A. $56,080.02 I think that is correct.

Q. I presume that is correct?

A. I made those figures out once and submitted them.

8013 Q. The point I am getting at is that the Frisco acquired what was known as the Kansas City, Ft. Scott and Memphis road?

A. Yes.

Q. That is what we have been calling the Memphis Branch, or the Memphis part of the road, sta-ting out of St. Louis, and running through Kansas, and back into Missouri to Springfield, Missouri?

A. Yes.

Q. The Frisco road either refunded or assumed the bonds upon that road and the interest upon them?

A. They guaranteed them.

Q. And issued what was known as Trust Certificates for the stock?

A. For the Preferred Stock.

Q. The point I am trying to get at is this: under the head of these rentals nothing is included in the way of rentals for those Ft. Scott bonds?

A. Nothing.

Q. That is treated as a part of the bonded debt, that you mention subsequently?

A. As interest.

Q. As interest paid apportioned between freight and passenger on that statement?

A. Yes.

Q. But the charge that is fixed by the acquisition of that stock, in the nature of Trust Certificates, is in this statement under

8014 the head of rentals?

A. Yes.

Q. But there is none of that stock represented in your mileage and stock statement?

A. None whatever.

Q. The mileage and stock statement does not include stock that was acquired of the Ft. Scott and Memphis?

A. No sir.

Q. Something was said by you, and you were asked to make a statement in reference to that, how you figured out the situation, if it costs $15.00 more to earn $100.00 in state freight than $100.00 in inter-state: have you prepared that statement?

A. Yes sir.

Q. I would be glad if you would read it or state it. If you have an extra copy to give the other side they could follow you a good deal better, or if you haven't I will lend them mine for the time being.

A. I have an extra copy.

Copy of paper referred to is furnished counsel for defendant.

Q. Just read it, Mr. Douglas, so the Court will understand it?

The witness thereupon read the paper referred to, which is in words and figures following, to-wit:

8015 "B."

An illustration showing how to arrive at the cost per $100 earned of state freight, should $15 per $100 earned (which amount is simply used as an example) be added as a minimum excess cost of doing state business over inter-state, and using the three months' figures of earnings and expenses, is as follows:

$15 being 15% of $100, we take 15% of state freight revenue ($577,192.84), which amounts to $86,578.92. This amount of $86,578,92. is added to the state freight operating expenses ($359,-645.02) making a total of $446,223.94. This latter amount, $8446,223.94 now represents the state freight operating expenses, plus $15 additional per $100 of state freight revenue for the three months of July, August and September, 1907. We now divide this $446,223.94 by the state freight revenue for the three months covered ($577,192.84), which will give us the percentage that the expenses bear to the revenue, or 77% which is equal to $77 expenses for every $100 of state freight earned.

In order to get at the relative cost of $100 of interstate freight revenue for the three months of July, August and September, 1907, state of Missouri, we must first deduct the amount of additional cost that was added to the state freight operating expenses, from the inter-state freight operating expenses: in dollars and cents it will be this: $1,379,231.55 interstate freight operating expenses, less $86,578.92 (excess state operating expenses), leaves $1,292,652.63 as interstate freight operating expenses. Now in arriving at the cost per $100 earned of interstate freight, we use the same
8016 method of calculation as above in getting at the cost per $100 earned of state freight, viz:

$1,292,652.63 inter-state freight operating expenses, divided by $2,214,002.82, inter-state freight revenue, will give us the percentage that operating expenses bear to the revenue, or 58%, which is equal to $58 expenses for every $100 of interstate freight earned.

In my previous evidence I stated, when asked for my personal opinion, that it would cost at least $15 more to earn $100 of state business than it would cost to earn $100 of interstate business.

When I made that statement I had not investigated the matter in respect to Missouri sufficiently to form a correct opinion. Since then I have gone into the matter somewhat and will now state that on freight business it is my personal opinion that the amount it will take to earn $100 of state business over $100 of inter-state freight, will largely exceed that figure, but to what extent I am not prepared to say, but otherwise will abide by my testimony, in respect to freight business, already given.

8017 St. Louis and San Francisco Railroad Co.

Questions propounded by Mr. LADD for which ready answers could not be given. Answers have been prepared and are as follows:

Q. 1. Give number of passengers carried (System) for years ended June 30, 1907 and 1908.

A. Year to June 30, 1907..... 7,453,409
" " " " 1908..... 8,428,183

Increase..... 974,774 or 13%

Q. 2. Give number of passengers carried one mile for years ended June 30, 1907 and 1908 (System)?

A. Year to June 30, 1907..... 357,891,225
" " " " 1908..... 414,178,289

Increase..... 56,287,034 or 16%

Passenger Revenue (System) Years to June 30, 1907 and 1908:
Year to June 30, 1907..... $9,169,400.43
" " " " 1908..... 8,927,036.90

Decrease..... 242,363.53 or 2.6%

Q. 3. What was your annual expenditure for the Maintenance of Way and Structures per mile on your system for the year ended June 30, 1907, and also for the year ending June 30, 1908?

A. Year to June 30, 1907..... $1,103
" " " " 1908..... 952

Q. 4. What was your annual expenditure per mile of road on the System for Maintenance of Equipment for the year ending June 30, 1907, and also for the year ending June 30, 1908?

—. Year to June 30, 1907..... $929
" " " " 1908..... 910

Q. 5. What was your annual expenditure for Maintenance of Way and Structures per mile of road, State of Missouri, year ending June 30, 1908?
A. Year to June 30, 1908..... 916

Q. 6. What was Maintenance of Equipment expenditure per mile of road State of Missouri, year ending June 30, 1908?
A. Year to June 30, 1908..... 953

8018 Memo. 1.

St. Louis and San Francisco Railroad Co.

The increase in number of passengers carried, and passengers carried one mile, during the fiscal year ended June 30, 1908, as com-

pared with fiscal year ended June 30, 1907, is about on an average with increase of previous years.

The increases for fiscal year to June 30, 1907, over the year to June 30, 1906, are as follows:

Passengers carried:		
Year to June 30, 1907	7,453,409	
" " " " 1906	6,259,056	
Increase	1,194,353	or 19%
Passengers carried one mile:		
Year to June 30, 1907	357,891,225	
" " " " 1906	322,008,662	
Increase	35,882,563	or 11%
Passenger revenue:		
Year to June 30, 1907	$9,169,400.43	
" " " " 1906	7,905,644.11	
Increase	1,260,756.32	or 15.9%

The only difference between the comparison of years ended June 30, 1906 and 1907, and the comparison between years ended June 30, 1907 and 1908, is that there was a corresponding increase in revenue in the year 1907 and 1906, while in 1908 there was an increase in passengers carried and passengers carried one mile, but a decrease in revenue.

Had the same average rates prevailed during the year ended June 30, 1908, as in the preceding year, the passenger earnings of the Frisco System would have shown an increase of $1,455,767.45 instead of showing a decrease of $242,363.53 making a total loss of $1,698,130.98 by reason of the deduction in passenger rates. This is equivalent to the difference between prosperity and bankruptcy.

8019 *Memorandum.*

Cost per $100 earned of Intra and Interstate freight and passenger revenue, adding $15 for every $100 intrastate revenue earned to Intrastate Operating Expenses to cover excess cost:

Freight.

Cost per $100 earned Intra	$77
" " $100 " Inter	58

Passenger.

Cost per $100 earned Intra	$98
" " $100 " Inter	59

8020 Q. In making up your general statement, Exhibit 2, to your testimony, this is the general statement of earnings and

expenses. I would like to have the sub-division of expenses. That is to say, you have them here classified as a whole, maintenance of way and structures, maintenance of equipment, traffic expense, transportation expense, general expenses, taxes and rentals?

A. Yes.

Q. Now I understand you have for one month a detail of that already written out?

A. Yes, sir.

Q. So far as everything except taxes and rentals is concerned?

A. Yes, sir.

Q. And does that same subdivision appear in the annual report? That is to say, maintenance of way and structures is made up of 27 different items?

A. Yes, sir.

Q. And maintenance of equipment is made up of items 26 to 56?

A. Yes, sir.

Q. And traffic expenses is made up from items 57-A to 65-B?

A. Yes, sir.

Q. And transportation expenses when sub-divided is made up of items 66 and 67?

A. Yes.

8021 Q. And station service, items 68 to 72?

A. Yes, sir.

Q. And yard service, items 73 to 84?

A. Yes, sir.

Q. And engine service, items 86 to 91?

A. Yes, sir.

Q. And train service, items 94 and 95?

A. Yes, sir.

Q. Casualties 99, 106 to 110?

A. Yes.

Q. Miscellaneous, 96, 97, 98, 100, 103 to 105, 111 and 112?

A. Yes, sir.

Q. And general expenses made up of items 113 to 117 and 120 to 123?

A. Yes, sir.

Q. Is that the same sub-division of items that is found in the annual report?

A. Yes, sir, on pages 30 to 31.

Q. I had not called for this detailed report before yesterday?

A. No, sir.

Q. And as I understand you did not have here with you the detail except for one of the three months?

A. For Missouri.

Q. For Missouri separate from the system?

A. Yes, sir.

8022 Q. But that would practically represent the situation if we wanted to go to these different items, would it, for the three months?

A. Yes, sir.

Q. Allowing for the difference in kind?

A. Yes, sir.
Q. And I believe the experts for the state have examined those figures?
A. Yes, sir.
Q. Have you an extra copy of these papers?
A. Yes, sir.

Copies of papers referred to handed to counsel for defense.
The papers referred to being statements for the month of July, August and September, 1907, are marked complainant's Exhibits 8, 9 and 10 respectively.
Complainant's Exhibits 8, 9 and 10 are in words and figures as following to-wit:

8023 The COURT: I want to ask you a question Mr. Douglas:
You say the year following the taking effect of these laws as compared to the year before, your pay rolls were decreased. Do you mean in the amount per day paid your laboring men, or do you mean by reducing the number of laboring men?
A. Reducing the number.
Q. Then it is your claim that this is a strike or blow at the laboring men?
A. The reduction was in every department.
Q. Then it is your claim that this is a strike or blow at the laboring man?
A. It was in every department.
A. I am talking about that only. Can you tell me how much in per centage you reduced your laboring men in number?
A. I would not like to say from memory, but there were very large reductions in every department of the road. There were very drastic reductions in the office force and every where else.
Q. You cannot give the per cent?
A. Not without referring to the aggregate pay rolls. I could do so by referring to my office for the records.

Cross-examination by Mr. S. B. LADD:

Q. Does this annual report show the different lines in which you call the system?
A. It shows the mileage.
8024 Q. Does it show where they are?
A. Refer to the page, please.
Mr. HAGERMAN: I am going to follow that up as to Missouri. The Board of Equalization will show the sub-division and where they are all located.
A. You will find that on pages 75, 76 and 77 of the annual report.

Mr. LADD:

Q. Page 75 is a statement of mileage. Page 76 is a statement of the lines, isn't it?
A. Yes, of the branches that are shown separately.
Q. So that in the system, what you call the system, which lies in

Missouri, Kansas, Oklahoma, Arkansas, Alabama, Texas, Illinois,——

A. Pardon me, but we operate no lines in Illinois. The Frisco does not. We control lines in Illinois.

Q. That is not a part of the system, then?

A. We could show it in there as "mileage operated."

Q. What do you say the mileage of the system is?

A. The mileage of the system operated last year was 5,064.16.

Q. And in that you do not include anything in Illinois?

A. No, sir.

Q. The other states I mentioned were included properly, are they?

A. You omitted some, but all of the states you mentioned are included.

8025 Q. You have Missouri?

A. Yes.

Q. And Arkansas?

A. Yes.

Q. And Kansas?

A. Yes.

Q. Oklahoma?

A. Yes.

Q. Texas?

A. Yes.

Q. Tennessee?

A. Yes.

Q. Have I omitted any?

A. Mississippi.

Q. Yes that is so, Mississippi. That is the old Ft. Scott road?

Mr. HAGERMAN: How many miles in Mississippi?

A. 142 miles in Mississippi.

Mr. LADD:

Q. My recollection is that you stated in your examination when you were examined before, that the item in the statement filed here by the company of $334,481.87, as expenditures of maintenance of way and structures during the months of July, August and September, 1907, amounted to an annual average of $1377.00 per mile of road: is that right?

A. I made some figures for you, Mr. Ladd, based on those figures for the three months, showing that if the expenses were the
8026 same average for the balance of the year, that would be the correct figures?

Q. $1377.00 per mile?

A. Yes, sir.

Q. You say to-day that your annual expenditures for maintenance of way and structures in Missouri for the year ending June, 1908, were $916.00: I am right about that, am I?

A. Yes, sir, you are right.

Q. Your statement shows that the expenditures for the maintenance of equipment for those three months in 1907, were $413,-

832.67: How much would that be on the average per mile per annum, if those were three average months?

A. That requires casting out those figures, and multiplying them by four.

Q. It is about $1398.00, isn't it—my associate here says you so stated.

A. Per mile?

Q. Yes.

A. I would have to figure that.

Q. I thought you had that there?

The witness here figures.

Q. Just approximate it, don't be accurate?

A. Your question is that this $1398.00 is for three months?

Q. Multiply it by four and divide it by the amount of mileage?

A. (After figuring:) In round numbers it is about $970.00.

8027 Q. If those three months were average months, you multiply that by four and divide it by your Missouri mileage, which is about 1714?

A. I think Missouri is 1714 miles, from memory. And applying it to——

Q. You say $1377.00 per mile for maintenance of way and structures; maintenance of equipment is still more, isn't it, so it must be more than that?

A. Pardon me, what did you say?

Q. You stated before that if those were three average months you multiply those expenditures for three months by four and divide it by your mileage in Missouri, and it would make it $1377.00 per mile for only the expenditures for maintenance of way and structures, whereas your maintenance of equipment account is larger than your maintenance of way and structure account, and the average must be greater for that than for the other?

A. You are giving me figures that I am not sure where you are getting them. I have figured out as you asked me to. These figures apparently are correct.

Mr. HAGERMAN: Mr. Ladd you misunderstand him.

A. I will figure it again. The maintenance of way and structures is less than $800.00 on these figures for the freight and I presume you have taken both freight and passengers in the previous case.

Mr. LADD:

Q. Just the freight?

8028 A. That is what you are figuring it on. Your questions are just as to the freight. Probably your questions before were on the total of both freight and passengers.

Q. That is correct, it was combined.

Mr. HAGERMAN: Let me see if I understand: These expenditures you gave in looking up these questions for Mr. Ladd: was that something ascertained by taking the three months and reducing it, or increasing it to a year, or was it the actual figures for the year?

A. My recollection of Mr. Ladd's previous question——

Q. No, Mr. Douglas, these questions you answered this morning?

A. These questions are giving the figures in Missouri for the year.
Q. Exactly as they are?
A. Yes, sir.
Q. And this other figure you are getting now is taking the three months and making a year out of it?
A. Yes, sir, by multiplying by four, in answer to Mr. Ladd's request.
Q. And these other things Mr. Taliaferro and Mr. Ladd said you gave before, you gave the combined figures?
A. Yes.
Q. These I understand are mere approximations?
A. Yes.

8029 Mr. LADD:

Q. Mr. Douglas you said in answer to a question this morning that your passenger revenue for the year ending June, 1907, was $9,000,000 and some odd dollars, and for the year ending June, 1908, was $8,927,000 in round numbers, showing a decrease of $242,333.00 or 2.6%?
A. Yes, sir.
Q. Mr. Douglas, would you attribute that entire decrease of 2.6% to the operation of the two cent law in Missouri?
A. No, sir, not entirely in Missouri, but entirely on the system.
Q. On the system?
A. Yes, sir, those are system figures.
Q. You carried passengers at reduced rates from what you had charged before in other territory than Missouri, didn't you?
A. About the same rates, probably; there were reduced rates of course in Missouri, Oklahoma, Alabama and Arkansas.
Q. And in Kansas too, weren't there?
A. No, sir. Well, part of the time, probably.
Mr. HAGERMAN: I think it is two and one half cents in Kansas.
Mr. LADD: I don't know, I am asking only for information.
The WITNESS: It is two cents.

Mr. LADD:

8030 Q. You do not claim, do you, Mr. Douglas, that this reduction of 2.6% in your passenger revenue for 1908, as compared with 1907, is wholly attributable to the operation of the two cent law in Missouri?
A. Missouri contributed its proportion.
Q. But you were carrying passengers at lower rates than you had before, under the operation of similar laws, or voluntary action on the part of the company, in many other states and territories through which your system ran, weren't you, through which your system ran?
A. We had to conform to the laws of the other states for the time being.

Mr. HAGERMAN:

Q. This question about the system which you looked up, was a question asked by the other side and not by us?
A. Yes, sir.

Mr. LADD:

Q. Let us get at that question of rentals that Mr. Hagerman asked you about, and which you explained very satisfactorily, I have no doubt, but I want to be certain that I understand it.

In this statement of your expenses, in the tabulation which was first furnished us at the other hearing, the rentals charged to the Missouri freight, amount to $63,197.77, and the passenger to $21,904.14, making an aggregate of something like $85,000 in round numbers?

A. Yes, sir.

Q. That is under the head of rentals?

8031 A. Yes.

Q. You mentioned this morning in your direct examination an item of $36,080.02, if I remember it correctly, in connection with the Ft. Scott and Memphis Road, or the Kansas City, Memphis and Birmingham, or whatever it is: Will you please explain again what that is?

A. That is the amount that the Frisco Railroad guarantees the Memphis for the use of these tracks in Missouri, in the shape of a fixed percentage on Trust Certificates issued by the Frisco.

Q. And those Trust Certificates were issued in lieu of the stock, so that this is really a guaranteed dividend upon the stock of the Kansas City and Memphis Road?

A. It covers Preferred Stock.

Q. It is guaranteed on the stock?

A. On the percentage in Missouri.

The COURT: He said Preferred Stock.

A. It is on the Frisco Certificate, and not on stock at all.

Mr. HAGERMAN: It is in the nature of stocks. In substance it is the same. If there is any difficulty about it, we will get the contracts: as I understand it the Frisco actually acquired the title to the stock and they issued against it something in the form of a stock certificate which guarantees certain payments, and they lose the title to the stock if they do not meet these payments.

8032 The COURT: The Trust Certificates equal the Preferred Stock but not the Common Stock.

Mr. LADD: What I wanted to bring out, if it is a fact, that this ought not to be regarded in the nature of an operating expense, but that it is a return upon the investment. In other words, a dividend upon the stock, whatever it may be called.

Mr. HAGERMAN: The fact is there, whatever it is. It is not included in the list of stocks.

Mr. LADD: Mr. Douglas, I think it appears in your direct testimony before, that upon the basis of the property in Missouri, if it were a correct basis, being worth three times as much as the assessment of the State Board of Equalization, the value would be something like $60,000,000: that is right, isn't it?

A. A little over $60,000,000. $61,000,000.

Q. $61,000,000?

A. Yes, sir.

Q. You say the stock of the company is $50,000,000: is that the stock of the St. Louis and San Francisco Railroad, or does that include the stock of some of these other companies whose roads they have either absorbed, leased or control?

A. That is simply the stock of the St. Louis & San Francisco Railroad.

Q. Proper?

A. Yes.

8033 Q. And the bonds upon the system are $198,000,000 in round numbers?

A. Yes, sir.

Q. Does that include the bonds upon those different roads aside from the original St. Louis and San Francisco Road, which are now operated or controlled in one way or another by the St. Louis & San Francisco Railroad?

Q. The $198,000,000 of bonds includes all the bonds issued on the entire system.

Q. Does that include the bonds, if any, issued by the Chicago & Eastern Illinois Railroad?

A. No, sir.

Q. It does, however, include the bonds of all the other companies mentioned on pages 75 and 76 of this annual report, does it?

A. (After examining report:) Yes, sir, except the Chicago & Eastern Illinois, as you state.

Q. How much of those bonds did you allot to that part of the system which is in the state of Missouri, and how do you get at it?

A. In the statement, copy of which has been furnished to you, the bond issue for Missouri is arrived at on a mileage basis.

The COURT: You divide the entire bond output by the entire mileage and multiply that by the number of miles in Missouri?

A. Exactly.

8034 Q. You divide the $198,000,000 by the entire mileage?

A. Yes, sir, in the statement 10, which has been furnished

Mr. LADD:

Q. You divide the $198,000,000 by the entire mileage, something over 5,000 miles, and then you multiply the quotient by the mileage in Missouri?

A. Yes, sir, that statement give- it that way.

Q. Some of your bonds are issued, aren't they, Mr. Douglas, upon property lying in Missouri alone?

A. Yes, sir.

Q. But you disregard that, do you?

A. I have made two exhibits, Mr. Ladd, in this way: taking the bonded debt in Missouri that lies all in Missouri, and then taking the mortgages that extend beyond Missouri into other states, and pro-rating those on a mileage basis, and this is an increased bonded debt for Missouri, somewhat increased.

Mr. HAGERMAN:

Q. Give those figures while you are about it.

Mr. LADD:

Q. What is the difference in the two results, without going into detail?

A. There is not very much difference.

Mr. HAGERMAN:

Q. $41,000 as against $39,000, isn't it?

A. Figuring it on the basis I just mentioned, gives the bonded debt applicable to Missouri, as $41,948 per mile.

Mr. HAGERMAN: Does your Honor understand it? One is on the mileage basis, and the other is on the mortgage mileage
8035 itself, confining it to Missouri.

The COURT: I understand.

Mr. LADD: On which basis is the $41,948?

A. That is on the mortgage mileage.

Q. You take the whole of the mortgages and divide the mileage into it?

A. That it covers. The mortgage covers so many miles.

Q. You divide the entire $98,000,000 and reach this result?

A. Yes, sir.

Q. What is the result taking it the other way?

A. The other way the result is as I have given it on the exhibit.

Mr. HAGERMAN: What is the difference there between the $41,000 and the $39,000?

A. A little over $4,000,000.

Q. What does it make the total for Missouri?

A. $67,000,000. And under the mortgage plan of apportionment, it makes it $71,897,000.

Q. Under the mortgage division, if the mortgage is in Missouri, and no place else, you make the division for Missouri only?

A. Yes, sir.

8036 WILLIAM ELLIS, a witness of lawful age, being duly produced, sworn, and examined on the part of complainant, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. Where is your home Mr. Ellis?

A. I live in Chicago.

Q. What is your business at the present time?

A. I am Commerce Counsel for the Chicago, Milwaukee & St. Paul Railway, having direct charge of Railway regulation litigation in the courts and before the Commissions.

Q. What experience have you had in dealing with the question of railroad operation and the ascertainment of the extra cost, if any, in doing the state freight and passenger business over the interstate?

A. During the last five years I have had charge of all the investigation of that question which has been conducted by the St. Paul Railway.

Q. That is the Chicago, Milwaukee?

A. Chicago, Milwaukee & St. Paul Railway, and the particular experience which I have had was the preparation of the statistical exhibit in the suit of Buell vs. the Chicago, Milwaukee & St. Paul Railway Company, known as the two cent passenger case, before the Wisconsin Commission.

Q. That is to say, you are the person who had charge practically of collecting the data and making the experiments that re-

8037 sulted in putting in the testimony in this case?

A. Entirely so. The case was tried upon a theory which I originated and carried out.

Q. And while engaged in that work did you supervise and have made certain experiments for the purpose of fortifying your views that were being presented?

A. Yes, sir.

Q. As a matter of fact, is it more expensive to do the state, both freight and passenger business, over what it costs to do the interstate?

A. Very much more so.

Q. Now in this examination, Mr. Ellis, I desire you to bear in mind that the ultimate inquiry is as to the extra expense of doing state business as distinguished from interstate, and assuming now that with the local trains the state line may be crossed, and then with the through train the state line will be crossed, and that the inquiry we are making is as between state and interstate. And also in dealing with interstate business we have for the purpose of convenience divided it into two classes, the first class being interstate business, which either originates or terminates in the state, and having one terminal there; the other which we have termed transstate business, in view of the peculiar location of Missouri, where railroads cross coming in one side and going out at the other; now what were some of the results of observations that you made in experiments and investigation of this question?

8038 A. Well, when I speak of through and local business, the conditions we apply to that in the railroad business we call local business, very accurately represent the conditions that obtain in purely state business for the reason that state business must from its very nature be practically all local business; that is, business either originating at a terminus of the line and terminating at an interior point, or between two interior points. So while our investigation is necessarily as between through and local, yet when we have arrived at a result, it is practically the result that we would get if we could differentiate between state and interstate. Interstate business is very largely through business, and state business is very largely local business.

Q. So you premise your remarks as to through business?

A. Hereafter I shall testify very largely as to conditions pertaining to through and local business, and I premise the whole thing by saying the through conditions are the same as obtained in interstate, and local conditions are the same as obtained in the state business.

Now I had occasion to conduct some investigations as to the

relative cost in the freight business of doing less car-load business as compared with car-load business. That difference in cost has a very important bearing upon state business cost. A large part of the state business of any road is less car-load business. While it is a very small proportion of the total tonnage, it is a larger
8039 proportion in state business than it is in through business; that is to say, while it may not be a large proportion of the entire business of the road done in the state, state and interstate, it is a very large percentage of the state business.

While on the Chicago, Milwaukee and St. Paul I think the total less car-load business if put in tonnage is about 7% for the entire line. Now in Missouri for the year 1908 it was 8.69%. That shows that in Missouri, on the Chicago, Milwaukee and St. Paul, the percentage of less car-load business is very much greater than the average for the line. Now that percentage on many other lines in Missouri would exceed the average percentage for the line very much more, because the Milwaukee & St. Paul in Missouri is simply a straight line through the state, and the local business is not typical of the local business for the state.

In the Minnesota merchandise rate case I had occasion to go quite extensively into the relative cost of less car-load and car-load business, and I think that it is a conservative statement to say that it costs six or seven times as much per ton to handle less car-load business than it does to handle car-load business.

As to the relation of cost or expense between local and through car-load business, I have never made any very extensive investigation. There are some items I have looked at somewhat, and the cost is very much greater. For instance, take a shipment moving
8040 between two local points in Missouri, as compared with one moving from Kansas City to either one of these local points, and the mere station cost alone would be five or six times as great per ton, for the reason that we have got to have at every station, no matter how small, or how little business we do, a minimum station force. We cannot have less than one man, and the cost of that station would have to be spread over the small amount of tonnage it would handle.

As to passenger business, the local compared with through, I think an estimate of 50% greater average expense for handling local business than through business is very low. There are some items we can get pretty accurately. There are many items that we cannot get accurately, and yet we know that the relation of cost between them is very much greater on local, necessarily, than it is on through business. And from what I have been able to determine, and from what I have been able to lay my hands on and see, if you please, I am convinced that an estimate of 50% extra cost for local business is very low. I think it exceeds that considerably.

Q. Now before going into the details of the examples, I would like to put the broad question—bearing in mind that some of the local trains may cross state lines, and through trains may cross state lines—but taking the situation generally as between state and inter-

state, what is your judgment as to the extra cost of doing the state passenger business over the interstate?

8041 A. A great deal more than 50%.

Q. 50% would be your minimum?

A. Yes, sir.

Q. What would you say—with the same suggestions, bearing in mind the same thing—what is the extra cost of doing state freight business over inter-state?

A. Well, a good deal more than 300%.

Q. Do you mean by that three times?

A. Yes, sir.

Q. Now, Mr. Ellis, something has been said about the question of division of expense; it seems no difficulty for the railroads in the way they manage their road and keep their accounts and do their business, to localize the earnings; that is a mere matter of keeping track of the thing to find whether it is state or interstate?

A. Yes, that is simple.

Q. But when we get to a question of expenses, the operators all say that the common train does the common business, and they stand necessarily in the practical operation of the road, undivided. In other words, in the actual operation of the road, and the incurring of the expense, the state line cuts no particular figure as to state and interstate?

A. It cannot.

—. As to state and interstate, now in your investigation of this subject, what do you say as the result thereof, is the true method of division, upon the revenue or some other basis, and your

8042 reasons for thinking so?

A. In all these cases we have tried, we have made an effort to divide everything that had to be divided, upon what you might call an indicated basis; and up to that point of dividing between state and interstate expenses there is an indicated basis nearly always. When no basis is indicated, then the basis usually adopted in business for the spreading of expense is taken. It may sometimes be in the same relation that similar expenses that have an indicated basis divide. With some expenses that is done, but when it comes to dividing expenses between state and interstate, where the business is not intermingled upon the same trains, and all the expenses are incurred without knowing whether they are going to be state or interstate until after they are incurred, the only basis I have ever known of any one attempting to make that division on is in proportion to the revenue derived from the expenditure.

Q. I suppose from what you say there is no definite, certain, fixed, precise method by which the division can be made?

Q. There is no indicated basis.

Q. Therefore, you have to take some method that is more or less arbitrary?

A. It is absolutely arbitrary, but it is the only one I have ever been able to arrive at, and the only one I have ever known of being used.

8043 Q. I wish you would in your own way, take up these matters especially, and start out with your passenger business, and show some examples as to experiments you actually made as fortifying your conclusion as to the increased cost, and if you have prepared any exhibits in that connection showing those things, let us have them.

The witness here produces paper.

The paper referred to is marked complainant's Exhibit 11.

Complainant's Exhibit #11 is in words and figures as follows, to wit:

8044 Q. Now you have handed me as the first document, what has been marked Exhibit 11. Will you please explain what situation is represented by that?

A. I have taken the La Crosse Division of the Chicago, Milwaukee & St. Paul Road running between Milwaukee and La Crosse.

Q. La Crosse is a large City, a large point of importance upon the western boundary of the state, upon the Mississippi River?

A. Yes, sir.

Q. And Milwaukee is upon the eastern border of the state, upon the Great Lakes?

A. Yes, sir. And the La Crosse Division it seems to me is as typical of conditions involved in through and local traffic as any division to-day. It has passing over it the train which is known as the Pioneer Limited.

Q. That is the train between St. Paul, Minneapolis & Chicago, that compares with their fast limited trains between Kansas City and Chicago?

A. Yes, and that train presents the most favorable condition of through operation I can imagine, because a very large part of the time it runs train full, and very frequently runs in two sections; in fact I guess now almost entirely so. It represents as nearly as any train we could get anywhere the maximum load, which is an absolute necessity to economy of operation.

8045 Q. Would that be illustrative of the situation say in Missouri, the Mississippi river on one side, with the large city of the state there, the Missouri river on the west side of the state, with the large and important point there, and the through lines between the two?

A. Yes, and as to such trains as you may have crossing the state with maximum load, the conditions would be the same.

To finish my answer, the train I spoke of on the La Cross Division is substantially a through train. It does very little local work, and presents all the elements of through operation; that is train No. 1.

Q. That is the best class of train upon that through line of track?

A. That is the best type of through train I think you could find anywhere.

Mr. LEHMANN:

Q. Is that a night train?

A. Yes, the night train leaving Chicago at 6:30, and coming into Minneapolis about 8 o'clock.

Q. That is the train compared with the limited trains between Chicago and Kansas City?

A. Yes. We also run over that division train # 5.

Q. What is train No. 5?

A. That is the day train, leaving Chicago in the morning about 9 o'clock, and running through to St. Paul.

Now that train carries a very large amount of through
8046 business, and it also does a very large amount of local business, so that that presents another phase of operation, the train carrying a very comfortable load of through revenue, and picking up and dropping off local business.

Then I have also taken train No. 23, which is a purely local train. It leaves Milwaukee at 5 o'clock in the afternoon and runs about 100 miles to Portage, doing all the local work between Milwaukee and Portage, and has practically no through business.

No. 33 on that division is a train leaving Milwauke in the morning at 7:15, and running through to Madison, the capital of the state, having no through connections that amount to anything, and being purely a local train.

I have also taken No. 7 which is practically a suburban train in a way. It runs to Watertown, about 50 miles out, leaving at 1:40 in the afternon and stopping at all stations.

Now at the time the Wisconsin two cent passenger case was being prepared, we had a careful estimate—a careful account, not estimate—made of the items of cost of certain trains, which were of such a nature as they could be apportioned to those particular trains; that is, we can tell how many pounds of coal are furnished to the engine: we can tell how much wages paid to the train crew running on that train, and that was all accurately compiled for the month of

March. It was finally computed to a cost per day, which I
8047 have used in Exhibit 11.

Q. And that cost now includes what?

A. That includes what may be termed movement cost; that is, after the train is on the rails it is the cost of moving it.

Q. Have you got the items making up the cost, so we can see what is included?

A. The items of that cost are train men wages, engine men wages, terminal switching, car cleaning and repairing, engine and train supplies, coal and water.

Q. Now of course that necessarily includes what would be items of expense to a very large degree, but it represents the idea of the movement expense?

A. Yes, I have taken the accounts in our statement of expense, in our itemization of expense in the annual reports, I have taken the items of account into which these items go.

Now there are other things in these items, but to get an idea of the proportion of expense that is represented there, the total of the accounts into which these items would go is 35.9 per cent of the total of expense. That should not be taken as a statement that this rep-

resents 39% of the total expense, because of the rest of the expense here apportioned, a much larger proportion might go to passenger expense than does these. These are absolutely localized items. These are amounts actually spent on these trains.

8048 Q. Taking the items listed in your expenses as general expenses, the salaries of your head officers, etc., that would not be included?

A. No, sir, nothing is included here——

Q. Except moving expenses?

A. Yes, and what could be actually localized to that train. Neither am I prepared to say what proportion these accounts are of the total. This is not 35.9% of the total. It may be very much more.

Mr. HAGERMAN:

Q. Go ahead with your statement.

A. In that way we arrived at a cost per day for train No. 1.

Q. Yes, but before you go to that. That method of ascertaining the actual expense for the purpose of presenting the matter to the railroad commission of Wisconsin, was a matter that you undertook to personally supervise, that you personally looked after, in order to get that compilation?

A. Yes. All these figures were compiled in the regular course of business by the regular departments, and made from the books of the Company.

Q. But under your direction and supervision?

A. Yes, entirely so.

Q. Is that the way you would reach the expenses in that statement, made up from that typical month, in Exhibit 11?

A. Yes, The expenses per day for train No. 1 was $46.16. For train No. 5 was $45.23. For train No. 23 it was $22.25.

8049 For train No. 35 it was $18.45. For train No. 7 it was $12.49.

Now at that same time, in the preparation of that case for the period extending from April 9 to May 20, 1906, I had a special report prepared by every conductor on all these trains, in which he gave the destination of the passengers beyond his run.

The ordinary train report simply turns in so many passengers on the train when he takes it at the division headquarters, and so many going off of his division.

Q. You had that kept in detail for this period?

A. From that regular train report we can't tell, and La Crosse was on the state line; we couldn't tell whether passengers were going to La Crosse, or whether they were going to Minnesota; whether they were state or interstate, or local or through.

And Milwaukee is a point where people come in from the boats and take the trains, and we couldn't tell whether they were local or through passengers as to our business. So this special report was made for this entire period in which the Conductor reported whether the passengers were through or local, and that was kept from April 9 to May 20, and these figures are the basis of the rest of Exhibit 11.

8050 Q. That is to say now the number of days on which those trains run is illustrated?

A. The number of days for which we have reports. On No. 1 we have a report for 38 days. In those 38 days it carried 952,214 passenger miles. The total cost, multiplying the cost per day by the number of days, was $1764.08. That is, the items we compare.

So of the items we have here, the average expense per passenger mile on train No. 1 was 1.84 mills.

Carrying the same process through with train No. 5—I will call attention to it in passing, that there we have practically a maximum of through conditions.

Now we come to train No. 5 which has both through and local, and the average expense per passenger mile runs up to 2.69 mills.

Come to train No. 23, and it comes up to 3.78 mills.

On No. 33 it comes up to 4.62 mills.

On No. 7 it is back to 3.09 mills.

Of course it costs just exactly the same to handle a local passenger as it does a through passenger, on the same train.

Q. Outside of the question of the terminals?

A. Outside the question of terminal expenses. And of course "cost" is not a correct term to use as applied to that. It is expense. That is, we have got to go to a certain amount of expense whether we carry ten passengers or forty.

8051 Q. That is the train is going to run anyway?

A. Yes. The only thing that is going to make a difference in this is the number of passengers we are going to get. That is what makes the difference.

What makes the local business cost more than the through business is that you have a minimum of equipment, and you cannot get a maximum of load. Therefore, it costs much more to earn a dollar in local business than it does to earn a dollar in through business. I have the actual separation made at the time by the conductor on the train of the number of passenger miles that were local and through on train No. 1, and I have multiplied the local passenger miles by the average cost per passenger mile; and the through by the same figure. I have done that with each train.

Now that shows that on those five trains, we carried 967,534 local passenger miles, and the average expense per passenger mile was 3.21 mills. And of the 1,078,758 passenger miles of through business, the average cost was 2.18 mills.

Q. What difference is that?

A. The difference was 1.3, which was 47.2 greater on these items alone.

Q. This shows by your separation of local and through passengers, that was made up as I understand from the actual conditions, taking the passenger just where he went, where he got on and where he got off?

A. Yes.

8052 Q. Have you anything to illustrate how that account was kept or shown any more in detail? First, is there any other observation you want to make about this exhibit?

A. In answer to that question I will say that the statement from which these figures are drawn is made up from the daily reports made by the conductors on the train, and it shows the plain number, the miles run, the number of days, the number of passengers and passenger miles, in through business. The number of passengers and passenger miles in local business. And the number of passengers and passenger miles in total business. The train miles, the number of coaches, and the coach miles. Then the average number of passengers per train mile through, local and total. The average number of passengers per coach mile, through, local and total. The percentage that the through and local passengers were of the total. The percentage that the through and local passenger miles were of the total. There was, however, much data on this statement which did not seem available here.

Mr. LEHMANN:

Q. Have you produced that statement?

A. I am only testifying as to what was in the statement from which I drew this data.

Q. From which you drew exhibit 11?

A. I am giving you all that was on it.

Q. You have not introduced it?

A. No sir, the rest of the matter on here is immaterial to this computation.

8053 Mr. HAGERMAN:

Q. There may be more or less significance to these figures, Mr. Ellis, but take train No. 1, which compares with one of the Texas through trains on the Frisco, or the Milwaukee Southwest Limited from Chicago.

Mr. LEHMANN: I don't want that to be taken for granted.

A. I can give you that comparison.

Q. Those trains each speak for themselves: they are not the same.

Mr. HAGERMAN:

Q. I notice in train No. 1 that the local passenger miles are 205,-024, whereas when you take the through passenger miles it is 747,-190, or over three times as much?

A. Yes.

Q. Now when you take train No. 5, which is a different kind of service, that is doing the mixed through and local business, the local passenger miles are 341,835, as against through passenger miles, 312,686, which is less?

A. Yes.

Q. Does that indicate, or is it a fact that the proportion the greater number, of state or local passengers, ride upon trains of that kind than upon the through trains?

A. Yes, sir, entirely so. I have here a diagram of the traffic on those two trains for one way.

Q. I wish you would explain that.
A. Here are the diagrams.

8054 The papers referred to are marked complainant's exhibits 12 and 13.

A. These diagrams show a passenger for each vertical, small square, and a mile for each horizontal square. Now the difference between train No. 1 and train No. 5 which develops in the figures a difference between 1.84 mills and 2.89 mills, is illustrated by the difference in the character of the through and local traffic.

Train No. 1 shown by Exhibit 12, shows in the center a large body of through traffic that was on the train at Milwaukee shown at the left of the diagram, and on the train at La Crosse, shown at the right of the diagram. Now a very small number of passengers, 27, got on the train at Milwaukee, 7 of them got off twenty miles out at Powaukee.

At Oconomowoc 5; at Watertown 13 more. One went to Columbus, one went to New Lisbon, one to Camp Douglas, and two to Sparta. And that ended with the little local business that went on to Milwaukee.

None of the business got on at the local points shown here.

The local business on is shown at the top of the diagram, three getting on at Oconomowoc; one going to the next station, Watertown; another going to Columbus, and three that went to Camp Douglas.

At Watertown one got on.

Toward morning they began getting on.

8055 All the time there were 110 passengers on the train every time a wheel turned.

On train No. 5 there were 61 through passengers, as I counted. But there was this constant getting on and off. Passengers got on at Milwaukee, and were getting off all the way up to Camp Douglas, and they began getting on at the first station out of Milwaukee, and riding for a short distance.

Now the difference in the average cost lies in the fact that wherever,—the cost was about the same on the two trains and wherever you draw a line across this diagram and count the number of passengers on the train at any time, No. 1 with its through passengers will overcome the number on No. 5 at any time.

Mr. LADD:

Q. May I ask you a question here? Is La Crosse on the State line?
A. Yes, it is on the state line.
Q. Between Wisconsin and Minnesota?
A. Yes, but it is used here because it is division headquarters and the end of the run, but it is on the state line.

I have some other exhibits here.

The witness here produces papers which are marked respectively complainant's exhibits 14, 15, 16, 17.

Q. Describe those exhibits?

A. Train No. 5, the southwest limited, is exhibit 14.

Q. Before we leave exhibit 11, the result of that was that you should have kept for that period of time, the origin and destination of each passenger upon those particular trains in order to reach that particular result?

8056 A. Yes. That we have as between division headquarters all the time, but for that purpose we kept them actually.

Q. That is sub-divided as between divisions?

A. Yes.

Q. You have now produced some exhibits with relation to the Missouri situation upon the Chicago, Milwaukee and St. Paul railroad?

A. Yes, sir.

Q. What is the first?

A. Train No. 5 is exhibit 14.

Q. What is the next?

A. Train No. 8 is exhibit 15.

Train No. 3 is Exhibit 16.

Train No. 12 is exhibit 17.

Q. These exhibits refer to the line of the Chicago, Milwaukee and St. Paul in the state of Missouri?

A. Yes, sir.

Mr. LADD:

Q. You have not offered in evidence these illustrated?

A. Two trains have been offered. Now I am offering these exhibits. Exhibit 14 is a diagram of the traffic on the Kansas City Division, train No. 5, which is shown as the southwest limited, showing the traffic on June 15, 1908, from Powersville to Kansas City.

Mr. HAGERMAN:

Q. Was there any especial purpose in selecting that date?

8057 A. No, sir, except that I wanted to take one day in the summer and one day in the winter. As a matter of fact the clerk who got the report out selected the date. I just said "give me one summer report and one winter."

Q. That southwest limited is your crack train, so far as passenger business is concerned?

A. That is what the passenger department says.

Q. It is the fast train?

A. Yes.

Q. Go on.

A. Now this takes the traffic that was on the train when it come to the state line, and shows the nature of it, through and local.

Q. What was the result of that?

A. The result was that when it came to the state line there were 70 passengers on the train of whom 12 were local.

Mr. LADD:

Q. What is the state line?

A. Powersville. 7 of these passengers were going to Chillicothe. Five to Excelsior Springs.

Three passengers got on at Galt, one of whom went to Chillicothe, and two to Excelsior Springs.

At Chillicothe thirteen passengers got on, five of whom went to Excelsior Springs, and eight to Lawson.

At Lawson two passengers got on, one of whom went to Liberty, and the other to Kansas City.

One of the Chillicothe passengers went to Kansas City.

8058 Seventeen passengers got on at Excelsior Springs and went to Liberty.

Twenty-four passengers got on at Excelsior Springs and went to Kansas City.

Nine passengers got on at Liberty and went to Kansas City.

Mr. LADD:

Q. That is a night train, isn't it, that leaves Chicago about 6 o'clock?

A. Yes, sir, and gets here about 8 o'clock the next morning.

Mr. HAGERMAN: Go on with the next exhibit.

A. Exhibit 15 is a day train, No. 8, and shows the business from Kansas City to Powersville.

Mr. LADD:

Q. This is a train starting from Kansas City?

A. Yes, and the other starts from Chicago. That train carried thirty-three passengers.

Now the difference between the through and the local business is very clearly indicated by the on and off, stringing nature of the diagram of train No. 8, outside that little block of through passengers.

Mr. HAGERMAN:

Q. Describe your next exhibit.

A. Exhibit 16 is a train running opposite to train No. 8, and it is shown as train No. 3, running from Powersville to Kansas City, with but eight passengers running through.

Q. Is that a day train also?

8059 A. Yes, sir.

Mr. LADD:

Q. Is Powersville a state line?

A. Yes, sir, it is our last station in Missouri. That is why it was selected.

Mr. HAGERMAN:

Q. Describe your next exhibit?

A. Exhibit 17 is the Southwest Limited No. 12 out of Kansas City on November 24.

Mr. LEHMANN:

Q. Is that a day or night train?

A. That is at night.

Q. That is the reciprocal of No. 5.

A. Yes, sir. I have used here a day train and a night train in each direction, taking two of them in the middle of the summer when the summer travel is on; and the other the day before Thanksgiving, when there is always more or less local travel.

Mr. LADD:

Q. Is exhibit No. 17 the Southwest Limited?

A. Yes sir, exhibit 17 is the Southwest Limited going out of Kansas City.

Q. Leaving here about 6 o'clock in the evening?

A. Yes, leaving here about 6 in the evening on Nov. 24.

Mr. HAGERMAN:

Q. What is the result of this situation on the Kansas City line: have you any further observations to make on that?

A. The diagram of traffic in Missouri when compared with similar diagrams of traffic I have introduced from Wisconsin, show that substantially the same conditions as to traffic obtain.

8060 Q. That is to say, when you introduce each one of these statements or diagrams you have had prepared in the way you have said for Missouri, the sum and substance of the whole thing is that the situation in Wisconsin is fairly indicative of the situation in Missouri?

A. Yes, sir, and I have much more detail information for Wisconsin than Missouri, that bears on exactly the same situation.

Q. Do those diagrams show entirely the situation in Missouri?

A. The other diagrams I have shown you, and which are here, but which perhaps need not encumber the record.

Q. Those are details from which your statement as to Wisconsin were made up?

A. Yes, sir, those show the trains on a division or perhaps two divisions in Wisconsin.

Q. And those are combined and are shown in what you call exhibit 11?

A. Yes, sir. Perhaps these will be referred to in other exhibits that I am going to speak of.

The papers referred to by the witness are here marked as follows:

Exhibit No. 18, is train No. 7 on the Chicago, Milwaukee and St. Paul Railroad, on the Chicago and Milwaukee Division.

Exhibit No. 19 is train No. 31 of the same division.

Exhibit 20 is train No. 124-23, of the Racine & South-
8061 western Division.

Exhibit 21 is train 137 on the Mineral Point and Prairie Du Chien Divisions.

Exhibit No. 22 is train No. 7 on the Mineral Point Division.

Exhibit 23 is train No. 3 on the Superior Division.

Exhibit 24 was train No. 33 on the Northern Division.

Exhibit 25 is train No. 5 on the Wisconsin Valley Division.

Exhibit 26 is train No. 31 on the Superior Division.

Exhibit 27 is train No. 5 of the Prairie Du Chien Division.

Now the results of Exhibit 11 are very materially affected by the

very marked contrast between the conditions of through and local travel, which are presented on that Division by such trains, say No. 1, No. 7 and No. 33, and those trains which do not carry much local business.

Mr. HAGERMAN: Let us draw that contrast. For instance in train No. 1 the passenger local miles are about one third of the through passenger miles; and on train No. 33 the local passenger miles——

A. I can give you those percentages.

Q. Give us those percentages.

A. On train No. 1 78.6% was through travel. On train No. 5 the through travel was 47.8%.

8062 Q. As you go along for the purpose of carrying it in mind, train No. 5 is where it is made up of both through and local?

A. Yes.

Q. Go ahead.

A. And this should be borne in mind, that the through and local division here is state and inter-state. It is carefully made as to state and inter-state; it is not separating through and local.

Q. So for all practical purposes, when you say through and local, as to exhibit 11, you might as well say state and interstate?

A. It is state and inter-state.

Q. Go along then with the percentages.

A. On train No. 23 the percentage of inter-state business was 9.7.

Q. And on train No. 33 what was it?

A. On train No. 33 the interstate business was .4%.

Q. And on train No. 7?

A. There was not an inter-state passenger on that train during the entire period of the exhibit?

Q. The result of this exhibit 11, I would like to ask here, is that you have made your experiments or tests on the Missouri line to see how the conditions compare with what you actually found to be true in the Wisconsin situation?

A. I have made these diagrams to compare with the Wis-

8063 consin conditions, to show that the traffic conditions are exactly similar. Except this, that in those Wisconsin diagrams we have a larger volume of inter-state business to sustain us than we have in Missouri. So that the relation, if you could make the same test in Missouri, it would show a larger proportion of cost assignable to state as compared with inter-state, than it does in Wisconsin.

Q. And the test shown by exhibit 11 in the Wisconsin situation was on the most favorable line to the state?

Mr. LEHMANN: I object to that.

Mr. HAGERMAN: So far as Wisconsin is concerned?

Mr. LEHMANN: My friend assumes altogether too much I think in his inquiries. Mr. Hagerman ought to let the facts speak for themselves.

Mr. HAGERMAN:

Q. You catch the idea, Mr. Ellis, now give me the facts.

A. The fact is this, that in Wisconsin there are two principal railroads, the Chicago, Milwaukee and St. Paul and the Chicago and

Northwestern. There is also the Wisconsin Central, the Soo, the South Shore, the Green Bay and Western, all of which have very small mileage, and all of which go to points which are covered by the other two railroads. The other two railroads cover together practically all parts of the state and they are both operating at practically every point of any importance in the state. So that the conditions which are shown—all their business is about the same every
8064 year, and the Wisconsin business is about the same—so that the conditions of traffic of the Chicago, Milwaukee and St. Paul in Wisconsin is typical of the whole traffic situation of the state.

Q. And the result of this exhibit 11 is, that so far as the expense of movement of the train is concerned, it was 47.2 per cent greater for the state than for the inter-state?

A. So far as these items we could get hold of are concerned.

Q. Have you any further observations to make as to exhibit 11?

A. Not as to that exhibit.

Q. Go ahead then with the next.

A. The next examination I made in connection with this case was to see what, if any, conditions I could develop on the local divisions.

Q. This is what exhibit that you now produce?

A. This is exhibit 28.

The paper referred to by the witness is marked complainant's exhibit 28.

Q. Now take exhibit 28 and make your explanation as to that, as to how it was prepared, and what it represents, just as you did with exhibit 11?

A. Well, the same explanation I made as to the preparation of exhibit 11 applies to exhibit 28, except that I have taken four typical local divisions.

8065 Now on the Superior Division we have a train running from the copper country down to Milwaukee; and on the Prairie du Chien Division we have a train running through into Iowa.

On the Wisconsin Valley Division we have no through train except the night train carries a sleeper. It is not what you would call a night train. It finishes its run about 11 or 12 o'clock, about midnight I think.

And the Northern Division has not anything on it that could be fairly called a through train at all. That is a purely local division.

I excluded from this statement the Mineral Point Division, because the conditions on that division are so abnormal that it is not fair to put them into a general comparison. I think if I did put them in, it would run the cost we have here up two or three mills, practically. That is purely a local division. It is the best example I know of for local business. Very little goes off the division at all, except perhaps some live-stock to Chicago—that is, out of the state. That division, running through a prosperous country, as long as the division accounts were kept, showed that it always cost more to operate it than we got out of it. So I have never considered that it

could be used as a fair comparison for the doing of local business intermingled with through business. But it shows what it
8066 costs to do local business by itself. However, that division was omitted.

The Chippewa Valley, in Wisconsin, was omitted, for the same reason. Its operating expenses are way beyond the revenue.

Q. So exhibit 28 shows the four divisions, the Superior, the Northern, the Wisconsin Valley and the Prairie du Chien, as different and separate and apart from the La Crosse division?

A. Yes, sir. In each case, taking the day and the night trains, the principal one on the division, and getting as near average conditions as it is possible to get.

Q. That is prepared in the same way and the same methods were adopted as for exhibit 11?

A. Yes, sir, and from the same data.

Q. What is the result there?

A. That shows that the local business has an average expense of 5.86 mills. And the through business 4.73 mills.

Q. You have not marked there the per cent that the state business is greater than the inter-state?

A. It is 23%, I figure it. 1.13 difference. Now the reason that difference is not greater on this exhibit is because we have here all the conditions of local traffic at the maximum, while on the La Crosse division we have the local traffic at the minimum.

The COURT:

Q. Local or through?

A. On the La Crosse Division the favorable conditions were
8067 at the minimum, while here we have the unfavorable conditions at the maximum; but we have no minimum through conditions to offset it. If we had on these divisions anything approaching the conditions of through traffic, the difference there would be greater than on the La Crosse Division, because there are not compensating elements.

Mr. HAGERMAN:

Q. On the La Crosse Division it is shown as 1.3 mills per passenger mile, and here it is 1.13?

A. Yes, but the difference is that on the La Crosse Division shows about 3 mills, and here the through business shows 4.73 mills.

So that the only purpose of Exhibit 28 is to show that even where there are no through conditions to help us out, the through business, the inter-state business, carried on local trains actually figures out to cost less than the local business carried on those same trains

Q. To make that plain, take a division like the La Crosse Division, and the expense per passenger per mile for state passengers is 3.21 mills?

A. Yes, sir.

Q. And you take it upon these other four lines more particularly local, and the expense per passenger mile is 5.86 mills?

A. Yes, sir. And even the through passenger costs more on these

divisions than the local passenger does on the La Crosse Division.

8068 Q. The reason for that is what?

A. That we have none of the conditions on those divisions of through traffic.

Mr. LEHMANN:

Q. I submit that the reason shows for itself. The reason is that they do not carry as many passengers on the train.

A. That is exactly the reason, and that is why the local business costs more than the through, because there are not so many passengers, and they do not go as far.

Q. In some places?

A. They do not anywhere. If they did they would not be local.

Mr. HAGERMAN:

Q. Are there any other observations you wish to make as to Exhibit 28?

A. No, sir.

Cross-examination.

By Mr. LEHMANN:

Q. Taking Exhibit 11 and train No. 1, that goes in what direction?

A. Train No. 1 westbound goes north through Wisconsin.

Q. That is from Milwaukee to La Crosse?

A. Yes, sir.

Q. What is the reciprocal of that train?

A. Train No. 34.

Q. What 38 days are those for which this computation was made?

A. Mr. Lehman, that special report was out on the train

8069 between April 9 and May 20, and the conductors were instructed to make that report every day. The reason the number of days varies on the report is that sometimes a report was not made, and we had used the exact number of days we had the report for. That varies all through the exhibit.

Mr. HAGERMAN: There are forty-two days in the period.

A. Yes, sir, we have, for instance, 38 days' report; on the Chicago & Milwaukee Division we have 42 days. On No. 4 we have 38 days, and going the other way we have 41 days' report.

Q. Where is that shown?

A. I didn't put that in. I would be perfectly willing to furnish you a statement of every train in Wisconsin, computed, if you would like to have it.

Q. The period involved in this exhibit is what?

A. April 9 to May 20, 1906.

Mr. LEHMANN:

Q. That is true of all these trains?

A. Yes sir, they are all made from the same exhibit.

Q. The same period, but a different number of days?

A. Yes, sir.
Q. You took what elements, the train crew.
A. Yes sir, the wages of the train crew: that is separate from the engine men.
Q. You separate that?
A. Yes, sir.
Q. Then the engine room?
A. Yes, sir.
8070 Q. How do you say you arrived at that? You took an average?
A. No sir the actual pay roll. For instance that train may run out with one or two brakeman more than at another time. It depends on the size of the train. And the actual pay roll of that train was made up by the superintendent for the entire month of March. That figure represents the month of March.
Q. It does not represent 38 days then?
A. Only by computation: taking it for the month, we divide the total amount for the month by the number of days the trains run, and get an average cost per day. Then we multiply the number of days we have a report of, traffic by that number, and in that way we get the cost for the period.
Q. How many cars were there on train No. 1?
A. Eleven.
Q. Before I pass to that, we have the pay of the train men and the pay of the engine men: What other elements of expense are there?
A. The terminal switching, making up the train.
Q. Terminal switching?
A. Yes sir.
Q. What else?
A. Car cleaning and repairing?
Q. What else?
A. Engine and train supplies.
8071 Q. What else?
A. Coal and water.
Q. Engine and train supplies include such things as oil, waste, etc?
A. Yes, everything outside fuel and water that is consumed on the engine.
Q. This train number 1 you say had 11 cars?
A. During that period, yes.
Q. Give the composition of the train?
A. They had an average of 11 coaches.
Q. Give us the composition of the train?
A. I have not the data here to give you that. I can give you the composition of the train during that period, but I haven't it with me.
Q. Was that train running in two sections?
A. Yes, most of the time.
Q. Most of the time in two sections?
A. Yes, sir. I think the rule on that train is that it may go in

one section up to 16 cars, and if it goes beyond 16 cars it is run in two sections. And it is frequently made in two sections with less than 16 cars.

Q. Then it would have more than 11 coaches?

A. No sir, there is a good deal of mail and baggage on there.

Q. And you cannot tell the composition of the train?

A. All I know is that during this period, from April 9
8072 to May 20, the coaches carrying passengers were 11.

Q. They might be in one train, and they might be divided into two sections?

A. No sir, the coaches during that period were always on one train. The only second section that ran in those days was to take the baggage, mail and express, and run it through.

Q. In making your computation, did you include the baggage, mail and express expense?

A. No, sir, the baggage, mail and express operating expense, when this exhibit was prepared, was eliminated on a car mileage basis, because we wanted to treat the passenger business separately and by itself.

We took the total number of car miles for the year and the total passenger expenses, and arrived at the average operating expense per car mile. Then we took the baggage, mail and express car mileage, and on that basis, which I think was about 15 cents per car mile, if I remember aright, eliminated that, and go to the passenger operation.

Q. What I am trying to get at is that on train No. 1, which means 11 passenger coaches on the average, each day?

A. Yes.

Q. The mail, baggage and express ordinarily appurtenant to a train, being carried on a separate train?

A. They were on that train, yes.

Q. And the expense of that separate carriage of the mail,
8073 baggage and express, is not included in that exhibit 11?

A. You are correct about that.

Q. What kind of coaches were those 11 coaches?

A. I think the regular equipment of that train is two large coaches—I am not speaking of the La Crosse Division.

Q. Train No. 1?

A. The La Crosse Division, when it leaves Chicago, it has a parlor car and a diner, and those are dropped out. I think possibly one extra coach is run as far as Milwaukee, and another coach put on at Milwaukee. But I am now speaking of it from Milwaukee to La Crosse. This equipment I think is two large coaches, one of them being split for a smoker.

Q. And nine others?

A. That would be eight sleepers and one buffet car.

Q. One buffet car and eight sleepers?

A. Yes.

Q. Your buffet car is what, a combination, sleeper, buffet and observation car, or is it exclusively a buffet car?

A. On that train it is exclusively buffet. There is no sleeper attachment.

Q. Is it your car or is it a leased car?

A. All the sleepers, the buffet, parlor car and dining car equipment that it runs, belongs to the road.

Q. It operates them itself?

A. Yes, entirely so. It has none leased.

Q. Is the expense of the buffet car included in that ex-
8074 hibit 11?

A. Oh, yes, that is a passenger car.

Q. You have a man attending that?

A. Yes, sir. His wages would be included there.

Q. That is run for the passenger accommodation?

A. Yes.

Q. There is a porter on each one of these sleepers?

A. I had the porter of the day coaches in mind when I answered your last question. The wages of the porters on the day coach would be in there, but the wages of the porters on sleeping car would not be. No sleeping car revenue was included in making up any of these accounts.

Q. You have a porter in addition to the brakeman—in addition to or substitution of the brakeman?

A. He is there in addition to the brakeman. He is there to see to people getting on and off, as the brakeman is very busy in the operation of that train.

Q. You take in the porter of the day train: do you have one or two?

A. Only one.

Q. One for the two coaches?

A. Yes.

Q. You take in that porter, but you do not take in the man in charge of the buffet car?

A. No, sir, he would be charged to sleeping car expense, and the sleeping car expense was not included in this statement at all. This is passenger expenses only.

8075 Q. That is your best train, I take it?

A. I think so.

Q. Between Chicago and St. Paul?

A. Yes, sir.

Q. The coaches are lighted by electricity?

A. Oh, yes.

Q. All passengers have the privilege of the buffet car?

A. No, sir.

Q. They do not get service from the buffet?

A. No, sir.

Q. Such local passengers as ride on that train are usually in the day cars?

A. Yes sir.

Q. If they go into the sleeping car they would have the service of the buffet?

A. Oh yes.

Q. But this being a night train they are practically excluded from the buffet?
A. Yes, sir.
Q. Because they would have to pay the berth rate to get in?
A. Yes, sir.
Q. I do not mean that you exclude them by any rule——
A. There is practically no local movement in the sleeping car.
Q. That is what I assumed?
A. The local movement on that train is very light.
8076 Q. And it is done on those two coaches?
A. Yes, it is practically all short haul business.
Q. Take No. 5, that is also between La Crosse and Milwaukee?
A. Yes, sir.
Q. And in the same direction?
A. Yes, sir.
Q. Is that a constituent part of the train from Chicago to St. Paul?
A. The same train goes right straight through, a solid train.
Q. And it is a day train?
A. Yes, sir, it leaves Chicago about 9 o'clock in the morning, and gets to St. Paul about ten o'clock.
Q. No. 1 is a night train and No. 5 is a day train?
A. Yes, sir.
Q. How many cars are there in No. 5?
A. No. 5 carries five coaches.
Q. Five coaches only?
A. Yes, sir.
Q. And it carries its baggage, mail and express, I assume?
A. Yes.
Q. Because there would be no difficulty about that?
A. I think it is about a ten car train, usually.
Q. In the altogether?
8077 A. Yes, sir.
Q. What train men are included here in this expense shown on Exhibit 11?
A. The operating department train crew.
Q. That would be the engine men?
A. The engineer, the engine men, the baggage man.
Q. The express man?
A. Yes.
Q. The brakeman?
A. Yes.
Q. The porter?
A. No, sir, the porter on that train is a sleeping car expense.
Q. You have no porter such as on the other train?
A. No train porter. The baggage man is included before the elimination of the baggage, mail and express operating expenses.
Q. What kind of coaches are these?
A. They are good coaches.
Q. The old, ordinary coaches?
A. If you mean as to kind, they are ordinary, but as to quality

they are heavier and larger coach than is ordinarily run. That is a specially equipped train.

Q. And you have so-called parlor cars?

A. Always one, and sometimes two.

Q. With of course, less seating capacity than the ordinary
8078 car would have, but giving more room for the passengers.

A. Yes, over the La Crosse Division at the time this statement was made I think it carried but one parlor car.

Q. Has it a buffet service of some kind?

A. It has in the parlor car. Of course this should be borne in mind, that from this statement made for coaches, the parlor car passengers, and the parlor car mileage are excluded. This is coach passengers and coach passenger expenses.

Q. Do you mean to say the parlor cars are excluded altogether?

A. Yes, sir, the parlor car passengers and the parlor car revenues, and the parlor car trains were excluded. The reason for that was that there was a very small number of them anyway, and they did not affect the general result, while the putting in of their expenses and getting in that the average miles would distort the entire average. So in all these statements, while the passengers on the sleeping cars on night trains were included, the parlor car passengers were excluded. So the number of passenger miles we have here would apply to the coach miles we had.

Q. Why would you exclude passengers riding in the parlor cars?

A. For the reason that what we were trying to find out was the facts relating to the general traveling public. Now there are very few people that ride in this special equipment. We found
8079 that in lots of trains the introduction of those abnormal figures threw our results all out.

Q. Why should they throw your results out, when the only thing you wanted was the facts? Those people actually traveled over your road, didn't they?

A. That was not the fact we were after. What we were after was the relative cost between handling through and local passengers under normal conditions, and not under abnormal conditions. These abnormal conditions were so small we threw them out.

Q. Do you mean to say that the parlor car is an abnormal condition?

A. It is on the Chicago, Milwaukee and St. Paul.

Q. Aren't they operated on practically any road running between any two large points?

A. I think so.

Q. They all have parlor cars?

A. I think practically all, yes.

Q. And they are the special inducement that is held out to the through inter-state passenger, aren't they?

A. I don't know—well, yes, I think you can say they are.

Q. And they are the most expensive passengers you have to haul, aren't they?

A. Why, yes, a good deal more expensive.

Q. Than any other kind?

A. Yes, sir.

8080 Q. And the same thing is true of the Pullman passenger, isn't it?

A. Yes.

Q. They are very much more expensive than any others?

A. Oh, yes, very much more expensive; but, Mr. Lehmann, if you would take all passengers that ride into the Pullman and parlor cars and put them into the general result, on a general average I do not believe the total effect of them all on the final result would be one millioneth of a mill.

Q. But that——

A. Well, you are speaking of them being so expensive—they are in and of themselves, but they don't amount to anything.

Q. I would rather have statistics on that?

A. I can furnish them to you now?

Q. Nine of your eleven cars on train No. 1 were sleeping cars?

A. Yes sir.

Q. And there were two day coaches?

A. Yes sir.

Q. The passengers in the sleeping cars cost you very much more per passenger than those in the day coach?

A. No sir, not on train No. 1. We have there special conditions. Our train reports will show on train No. 1, probably right through the year, a higher average number of passengers on the day coaches. They do not cost more.

Q. Can you give me the average number of passenger miles made by the two day coaches on train No. 1 during this period:

8081 Split the train into coaches?

A. I cannot from this statement, but I have the original data from which this statement is made, and I can give you the passenger miles in the sleepers and in the coaches.

Q. Can you get that this noon?

A. No sir, but I will be glad to furnish it to you later. As a matter of fact I will tell you that it shows a higher average of passenger per mile in the sleepers on that train than it does in the coaches. That is an abnormal condition.

The usual hour for adjournment having arrived, recess was taken until 2 o'clock p. m.

8082 After recess on Tuesday, December 15, 1908, the following proceedings were had:

Cross-examination of WILLIAM ELLIS continued.

By Mr. LADD:

Q. Referring to exhibit 11, how many miles did train No. 1 run?

A. If you will pardon me a moment, Mr. Lehmann, I want to make a correction before I go into that. In discussing Exhibit 11 this morning, as I recall it, Mr. Hagerman made a question in the form of a conclusion, that the passengers on train No. 1 were the

most expensive passengers we handled; and as I recall it, I simply said yes, and passed on. The impression that was created then in my mind was that the passengers were the most expensive equipment, and that sort of thing, which is true. But as a matter of fact, in apportioning expenses to the passengers, they are the least expensive passengers handled. I did not want the record to be confused on that.

I find also I testified as to the number of coaches being 11, which is the number on the Chicago, Milwaukee Division. The number of coaches on the La Crosse Division is 10. That should be corrected.

The miles included in that computation are 198.

Q. In that the distance from Milwaukee to La Crosse?

A. Yes, sir.

Q. What is the number of miles run by train No. 5?

A. The daily run is 198 miles.

8083 Q. What is the number of miles run by train No. 3?

A. 93.

Q. Where does that begin?

A. No. 23 runs from Milwaukee to Portage.

Q. Portage is a point within the state of Wisconsin?

A. Yes sir.

Q. Train No. 33, what is the length of that run?

A. Taking that train, technically it is 33-233. It takes the additional No. 2 at Watertown, and runs from there to Madison; but the run is from Milwaukee to Madison, 81 miles.

Q. What is the mileage of train No. 7?

A. 45 miles.

Q. When you have got your expense on train No. 1, why did not you just take the actual expense of the engine men and the train men instead of taking a daily average and multiplying?

A. Well, we did take the actual expense for a month.

Q. Have you the detail of that expense?

A. Yes, sir.

Q. With you?

A. Yes, sir.

Q. Have you it there in exhibit form?

A. Yes, sir.

Kindly let me see that.

Witness here hands paper to counsel for defendants.

A. I think I might say, Mr. Lehmann, that all of this statistical preparation, and all of the details of it, were made in consul-

8084 tation with the Wisconsin Commission, and that it was prepared along lines that were agreed upon with them before it was prepared, and upon the lines that the Commission determined was the fairest way to show the facts which they wanted to arrive at; so the Commission itself determined in many respects the statistical basis upon which those figures were got together.

Q. How many trains have you altogether in Wisconsin?

A. I can't tell you that without counting them up.

Q. Are they all shown on your detailed statement?

A. Yes sir, I think that detail you have in your hand shows everything except the Chippewa Valley Division, and that may be there, but that division is practically disregarded at the end.

Q. Would not the difference in the number of days taken with respect to these different trains, affect your general average?

A. Not in the least. There would be the same proportional difference if we had the same number of days. We must take the same proportion of cost that we have of business, and we did not have the business for the same number of days.

Q. You have a note here to Exhibit 11, that in the total passenger expense for the La Crosse Division, for the year in which the above data are included, the items which are here given, represent 35.9% of the total expenses?

A. I explained that in putting the exhibit in. These items
8085 are charged in the general distribution of expense, and the total of those accounts for that year as separated for the La Crosse Division, was 35.9% of the total passenger operating cost assigned to that division.

Q. What are the other items of expense, say the 64.1?

A. Maintenance of way would be a large part of it. General expenses would be a considerable part, and superintendence would be a considerable part. I could give you the items.

Q. It makes up the total of 64.1 not here included, but includes all other elements of expense which you take into account in distribution expense of passenger business?

A. Yes sir, these items include only those which can be physically localized to the operation of that particular train. But they include all the items which can be pgysically localized to the train.

The COURT:

Q. As you claim there is nothing there subject to debate?

A. No sir, these are all actual expenditures on that train.

Q. The terminals and things of that kind, which might be argumentative, you left out?

A. Yes sir, these are the items that it can be determined we actually expended in the operation of that train.

Mr. HAGERMAN:

Q. The salaries of the general officers do not go in there?

A. No sir, nothing is included except what could be localized.

Mr. LEHMANN:

Q. This does not include the cost of —

8086 A. No sir.

Q. Which would be greater, your through?

A. Greater per car, but on the local business perhaps five to ten times as great on the basis of passenger mile, which is the basis on which we are comparing, as we compared that rate per passenger mile.

A. I inquired as to the cost per car?

A. Yes sir, it would be greater on the through than on the local.

Q. How about maintenance of equipment per car?

A. Greater probably on the through than on the local.

Q. Because of the greater strength of the car?

A. No sir, because of the greater use of the local car. The local car is stopped and started ten times as much as some through cars. That is the cause of a great deal of the wear. It is also switched more, and that is a considerable part of the wear.

Q. You have not included that in your 35.9%

A. Yes sir. It is included, however, on a basis very unfair to the railroads, and very favorable to the state.

Q. I would rather know what the basis is?

A. I am going to explain.

Q. I object to that characterization of it. You have made up the comparison and offered it here, and I object to that characterization.

A. I am testifying to my opinion of it.

8087 Q. The basis should speak for itself?

A. I will let that speak for itself, and I will speak for it also, if my opinion is called for.

The basis upon which that is assigned is upon the car mile basis, and in the general average the result is that as a general average each car mile gets the same maintenance cost that any other car mile does.

Now the point of fact, the per car mile,—cars in local service would get very much more actual repair and maintenance than those in the through service, so that in apportioning as between through and local a very much larger proportion of car repairs should actually be apportioned to locals, than is in this statement.

Q. How much of the 35.9% is for maintenance of equipment?

A. You have the figures there, Mr. Lehmann.

Q. I don't know whether I have or not?

A. The total expense was $1,384.00; car cleaning and repairing is $48.00.

Q. That is on that one train.

A. Yes sir, for thirty days.

Q. The total expense for car cleaning and repairing was $48.60?

A. Yes. That is apportioned on a car mileage basis.

Q. What is your train No. 2, the reciprocal of No. 1?

A. No sir, No. 2 is an entirely different train. No. 4

8088 is the reciprocal of No. 1.

Q. And the car cleaning and repairing there is $36.60?

A. Yes sir.

Q. Does that make the same mileage as the other?

The COURT: He said it was on a mileage basis.

A. Yes sir. The reason for that difference is that No. 4 coming back does not carry all the equipment of No. 1 going up, so there would not be as much of the cleaning and repairing apportioned to it. No. 1 going up shows ten coaches, and No. 4 coming back has 8 coaches, and that accounts for the difference.

Mr. LEHMANN:

Q. No. 5 has a less number of cars than No. 1, as I understand you?

A. Yes sir.

Q. And you say the cleaning and repairing is based on the car mile?

A. Yes sir.

Q. I observe that No. 5 has $50.10 for cleaning and repairing as against $48.60 on No. 1?

A. Yes sir.

Q. How does that come to pass?

A. That is because No. 1 shows only 30 days of reports, *which* No. 5 shows 42 days. The number of coach miles on No. 1 was 75,240; and on No. 5 41,580. No. 5 has only five coaches, but has more days.

Q. No. 5 had how many coaches?

8089 A. Five.

Q. And No. 1 had ten?

A. Yes sir. Now these are coaches.

The repairs to the train include the repairs to the revenue equipment, the baggage, mail and express cars as well. That is evident from these figures. The figures I gave you are only the coach miles. The car miles in the train would be——

Q. One would be ten times 38 and the other would be five times 42?

A. No sir, because what I have given you here are only coach miles, while the repairs are apportioned on a car mile basis.

Q. Why should you include baggage and express cars in No. 5, for that purpose, and not include the proper proportion of them in No. 1?

A. They are included in No. 1.

Q. Then No. 1 has more than ten coaches, hasn't it?

A. Yes sir. That is it has more than ten cars.

Q. That is what I meant. It has about 16 cars.

A. That may be. It may be that it would not have more than 11 or 12 most days, because it would run in two sections and then those cars would not be apportioned to this train.

Q. You treat the two sections as one train?

A. No sir. In this computation, at that time the first section would not carry any passengers, so when there was a first section it was excluded.

8090 Q. Then you got just a clear passenger train? Why shouldn't you add to the expense of that clear passenger train, the expense of the train that carried the baggage and express incident to it?

A. Probably the equipment we had did carry all the business that was incident to that train.

Q. On the train?

A. Probably on that train. It carried all the baggage that was incident to that train.

Q. I understood you to say that you would run, when you ran two sections, the baggage and express in one section by itself, and you would run the other section exclusively passenger coaches?

A. Well, I think what I intended to say was this: that the first section was composed exclusively of baggage, mail and express.

Q. Yes?

A. Now there is always the buffet car, which on that train is half for baggage; and I think when this train ran in two sections there was frequently one baggage car besides, but there was always that half baggage car which ordinarily would carry the baggage of that train.

Q. What other baggage was that other train carrying except baggage for No. 5?

A. It is likely to carry baggage for No. 2 or No. 3 or any
8091 other train. For instance, a great many people send their baggage down early in the day, who are going out on No. 3, and it is checked. Now nobody knows what train they are going to take, and all the baggage that comes in during the day, that can be loaded on No. 1, goes on No. 1. So it would frequently happen that there was baggage loaded upon that train that was not appurtenant to that train.

Q. But in the main, isn't it true that what that extra section carried was appurtenant to the main train?

A. There was not any trains appurtenant to the mail and express.

Q. Which is the most profitable on that division, the express or the passenger car?

A. I cannot tell you because I don't know what the express car does on that division.

Q. Which is the most profitable, the mail or the passenger car?

A. I can't tell you that.

Q. Isn't it a fact that the passenger car is the most profitable, and don't you get your low rate of expense on that train from the fact that it is a clear passenger train, and all the burden is on the other train?

A. I think that is an element of the profit in it. I think that comes the nearest to being a typical, sole passenger train that there is running anywhere.

8092 Q. You regard that as a typical through passenger train?

A. Theoretically typical. It reaches the theory of it. It realizes the theory.

Q. Isn't it absolutely unfair, for the purposes of comparison with local business? Has not the local business just as much right to be freed from the burden of baggage and express as the through business?

A. Let me answer the other question first, please.

This train comes nearer realizing the theory of pure and simple passenger service than any train we have.

Q. Isn't it absolutely unfair, for the purpose of comparison with local business? Hasn't the local business just as much right to be freed from the burden of baggage and express as the through business?

A. There is nothing unfair in that comparison. Because that train just as it stands, will carry all of the baggage business incident to that train, just as it is included in that computation.

The fact is, that the local passenger service carries much more

baggage than in actual practice proportionately than the through business does, a great deal more.

Q. Have you any statistics to verify that?

A. I have the observation of a good many years of travel. The average man who gets on to the passenger train with 12 or 14 sample trunks is going only to the next station. The average man who goes down to the depot at Kansas City to take the train for
8093 Chicago, has a grip in his hand. The through baggage is a very small part of the baggage that is handled. If a man or woman going from one town to another 30 miles away to visit, locally, that is purely a local visit, and she takes her trunk. But if a man is going to the city he takes a small grip. The fact is, the load of baggage is very much greater in the local than it is in the through travel.

Q. Isn't it your observation that the average man, the traveling man, or the lawyers going to court, or the farmers going to the county seat to pay taxes, or to sit on juries, or to appear as witnesses, or visiting with each other, go with a mere hand bag?

A. Yes sir.

Q. And don't the great bulk of passengers traveling locally travel with a mere handbag?

A. If you will go into any baggage car——

Q. I would like to have that question answered?

A. That is true.

Q. Now you may proceed?

A. Yes, beacuse very few people carry baggage anywhere. But if you go into a baggage car at any time and check up the baggage piece by piece, you will probably find eight pieces in the local as compared with one in the through.

Q. Due to the traveling man, as he is called?

A. Yes sir.

Q. And he travels on a two cent rate?

A. Yes sir.

8094 Q. Doesn't he in Wisconsin?

A. Yes.

Q. And your three cent passenger is the one who carries the least baggage as a rule, isn't he? The fellow that pays you the most gets the least?

A. Yes sir. Now when you have got through with all that the total baggage expense doesn't amount to much.

Q. Whatever it amounts to, why doesn't it go with the through as well as with the local?

A. It is in that through, right there (indicating statement). That provides for all the equipment that is needed to handle the baggage on that train.

Q. You handle express on passenger trains because you want speed, don't you?

A. I don't know why it is handled there, but it is the place it is always handled.

Q. I assume it is for speed?

A. Yes.

Q. You also handle some very special classes of freight on passenger trains, don't you?

A. Not that I know of.

Q. I thought possibly teas or silks or something of that kind?

A. Freight?

Q. Well, not express, but very special freight?

8095 A. I have never known of any such. It is not within my knowledge.

Q. Let it pass then?

A. It is not within my knowledge.

Q. The tendency in railroad operation is to assign those things as far as possible to the local trains, isn't it?

A. Assign what to the local trains?

Q. Things like express. What you might term the encumbrances of the passenger train?

A. Absolutely not, except where it is of such a nature that it requires the service of the local train exactly the contrary is true. Everything is put on the through train in the way of express that you can get there. It is handled cheaper there

Q. If I have not greatly mistaken you, you do not put any express or mail on No. 1 at all?

A. On the contrary, we operate an entire section for mail and express.

Q. Oh, but I am speaking of No. 1 as a passenger train, and in the sense in which you have estimated its expenses?

A. Yes sir.

Q. Because unless I am mistaken in my understanding of what you have said, you did not include the extra section in your expenses here?

A. No sir, because I am figuring passenger expense.

8096 Q. Exactly. Now you have taken this for the purpose of making a showing as to the through rate, a train that is made up of ten coaches, nine of them being passenger coaches, and the tenth being a buffet car, which carries baggage in one section of it, and as to the rest of it is designed to serve the people in the seven cars with such refreshments as they may want on their journey?

A. Or that they may think they want.

Now I think this is only fair. When those figures were made up they were made up including the two sections in No. 1 because it seemed to me as it apparently does to you, that the whole expense of that train should be figured against it, and it was at the suggestion of the Wisconsin Commission in going over the formula of our exhibit that all of the expenses incidental to the second section, and it run only part of the time, were eliminated.

It was upon their theory that they were trying to get at the passenger expense. Now understand there were some days during this period that there were not two sections of No. 1.

Q. But as a rule there were?

A. No sir, not even as a rule, I think. The fact is—well, yes, as a rule. But when you asked me the question in my examination and assert that these figures were purposely made up——

Q. I do not assert; I only inquire?

8097 A. You put your inquiry in the form of an assertion, that these figures were made up to show that effect. They were made up that way because that is what the Wisconsin Commission wanted. In fact they went over this entire exhibit when it was made, and many changes were made at their suggestion.

Q. The buffet car carries no passengers as such. I mean as distinctively stating them?

A. It does.

Q. On the night train?

A. Yes.

Q. It has no berths?

A. No sir, but after that train leaves Milwaukee it has no parlor car. It is an afternoon train and it runs out as far as Oconomowoc and Watertown, and may occasionally carry a seat passenger that far.

Q. Only occasionally?

A. Oh yes, only incidentally.

A. As I understood you, the day passengers take the day coach because otherwise they would have to pay the expense of a berth in the sleeper?

A. They can pay seat fare up to half past ten at night.

Q. That is not usually done?

A. Oh yes, it is done.

Q. But not to any very great extent?

A. No sir, not as compared with the use of the day coach.

Q. That is what I mean?

8098 A. No sir.

Q. That would be done only in the case of people who wanted accommodation, probably people who had summer homes at Oconomowoc?

A. Oh, I don't know that would take them there. Any one who felt like spending 25 cents for the additional comfort would probably go out there in that coach—or perhaps it is fifty cents.

Q. This however, was in the month of March, when there would not be much of that travel indifferent to expense for that short run?

A. I think there is about as much one month as another.

Q. Don't you think there is rather more of it in the summer time when the people who have summer homes there are traveling?

A. I think people indifferent to expense go out there as much in winter as in summer. People indifferent to expense go out there and stay there?

Q. In the winter?

A. In the summer.

Q. But in the winter?

A. They come and go in the winter too, those same people.

Q. You have five passenger coaches on train No. 5: is that correct?

A. Yes.

8099 Q. And how many other coaches?

A. I think that is about a ten car train. A parlor car and I think five service cars.

Q. You mean by "service cars" the mail, express and baggage cars?

A. Yes, I think that train carries two baggage cars. I think that is used more for local baggage than any other train on the road.

Q. It is used mostly by the traveling men?

A. Yes sir.

Q. How many coaches does No. 23 carry?

A. 23 has four coaches.

Q. And how many service cars?

A. I think that has two.

Q. Three coaches and two service cars?

A. I think four.

Q. I am repeating what you said?

A. I understand. Four coaches and two service cars.

Q. How about train No. 33?

A. 33 has three coaches, and I presume two service cars.

Q. And No. 7?

A. No. 7 has two coaches.

Q. And one service car?

A. I should presume so. Not more than that. That train may have two. It may handle Milwaukee. I don't know.

8100 Q. The proportion of service cars per passenger coaches, then, on trains Nos. 5, 23, 33 and 7, is 50% and upward?

A. It is 50% and downward, isn't it?

Q. Upward, I think. Your enumeration would show?

A. On No. 5 it is 50%.

Q. On No. 7 you said it was 2 and 1; and the other I think you said 3 and 2; and the other 4 and 2?

A. Oh yes, that way it would be.

Q. Of service cars per passenger coaches it would be 50% and upward?

A. Yes, if you figure it that way.

Q. While on No. 1 you have more than half the time only the buffet car, which is in part at least a passenger car?

A. Yes sir.

Q. That illustrates very clearly one of the differences in cost. It takes a whole lot more dead equipment to do the local than the through business?

A. Most assuredly, when you put the baggage, express and mail cars on the local train.

Q. If you take the express and mail cars out of it entirely that is still true. It takes more baggage cars to do the business incident to local traffic. It makes the work?

A. But the baggage cars and the mail and express cars have not been taken out of the local service cost here, as I understand it, they are in here.

Q. You think they are?

8101 A. I think so.

Q. Your No. 1 is what might be called your very best train, isn't it?

A. I think so.

Q. It is the best lighted?
A. Yes sir.
Q. It is the best equipped?
A. Yes sir.
Q. It has more accommodations?
A. Yes sir.
Q. The tendency, therefore, is for people who have occasion to travel between Milwaukee and La Crosse to take that train if they can conveniently do so?
A. But nobody would take that train between Milwaukee and La Crosse, if they could help it. It leaves Milwaukee at 8 o'clock, and gets to La Crosse at 3 in the morning. While there is a train that leaves Milwaukee at —— and arrives at La Crosse at ——.
Q. This runs from Milwaukee to La Crosse?
A. Yes sir. Now take exhibit 12. Here are two passengers that did go as far as Sparta, but not any one to La Crosse.
Q. Taking your total it averages one fourth of the whole?
A. Yes sir. But those would be local passengers for the short haul at each end. Now there were some people that got on in the night. There were some that got on — Oconomowoc. Nobody went through to La Crosse until they got to Portage. At
8102 Portage some people got on at midnight, and went to La Crosse, six, eight or ten of them.
Q. How did you arrive at what was local and what was through?
A. The Conductor on the train during this period made a careful enumeration of the passengers who were going to points within the state, and those who were going to points without the state; *or* had come from points without the state.
Q. How would that be determined, by their tickets?
A. Their tickets would determine that, except the mileage ticket. The mileage which was then in use very generally or quite a good deal, would be pulled only up to division headquarters; and when the conductor went through the train for the first time after leaving division headquarters, if a man put up a mileage book he asked him whether he had got on there or come from some point, and determine from actual inquiry if he were an interstate passenger.
Q. Suppose he got on at Milwaukee, having come by boat, and having bought his ticket at Milwaukee to go to La Crosse?
A. He would then be treated as a local passenger.
Q. In other words, the ticket determined it?
A. Yes. And if he had come from some other railroad point or not. That question came up, and we made a little investigation of that. At this time of year, you will see it is for March, there is no very great amount of travel coming from the lakes and going
8103 out, so we did not feel it was necessary to treat that separately, and we treated them as local passengers.
Q. Your next best train is No. 5?
The COURT: You mean going west? The odd number trains go west?
Mr. LEHMANN: The train shows here (indicating statement). That carries a little more local passengers?

A. A little more?
Q. Yes, a little more?
A. A great many more.
Q. Not in mileage. I am taking your figures?
A. On No. 1 the percentage on the La Crosse division——
Q. You misunderstood my question altogether. That carries a few more local passengers than through passengers?
A. No. 5, yes, carries 47.8 through and 52.2 local.
Q. Do you regard the cost of the local passengers on that train as any greater than that of the through?
A. Of course, one passenger on a given train does not cost any more than another passenger, but the local business on that train adds very greatly to the expense of running it.
Q. Doesn't it also add to the revenue?
A. It doesn't add any more to the revenue that it would if it were through, because it is two cents per mile whether it is through or local.

Q. Wouldn't it detract materially from the revenue of that
8104 train if you were to take out the 321,000 local passenger miles?

A. I think if they were taken out, and it was made a through train, that particular train would earn more revenue than it does now. I think the local business keeps lots of people off it. People who go 400 miles are crowded off by the people who go 20.
Q. Where do they go?
A. They go on other trains of the Chicago, Milwaukee & St. Paul and on trains of other roads. As a matter of fact it is impossible to build up the trains. There is a great deal of through travel you cannot build up on roads that do local work. Take roads in the east, where they run through trains in the day time, and they get a good deal of through travel that we cannot get.
Q. You regard the local travel as detrimental?
A. No sir. I do not regard any travel as detrimental.
I think the local travel costs you a good deal more for every dollar it brings in than the through travel. But it has to be performed, and it should be performed well.
Q. On the five trains you have indicated here, there is not much difference between your local passenger travel and your through passenger travel?
A. Not in passenger miles, but there is in passengers handled. For instance, take train No. 1, and out of 4,147 passengers, we got 747,000 passenger miles. Out of 3,451 passengers we got 205,000 passenger miles.

8105 But your train was scheduled to stop at all the points it stopped?

A. To accommodate the local travel. No. 1 does not stop at a great many points that No. 5 does.
Q. Don't you stop at those points just as much to accommodate the through travel as the local travel?
A. On No. 5?
Q. On No. 1?

A. We do not make any stops to accommodate the local travel on No. 1.

Q. You make some local stops?

A. To accommodate through travel?

Q. Yes.

A. Yes.

Q. Then your local travel on No. 1 is absolutely subservient to the through travel. You do not take it into account?

A. Oh, we take everything into account. We do not operate the train to meet local conditions. We operate it to meet through conditions. But we operate No. 5 to meet local conditions.

Q. No. 1 does not bear a single element of expense additional on account of the local travel upon it, does it, unless it be the sale of a ticket?

A. No sir.

Q. And even that is not an additional element of expense,
8106 because your agent is there anyway?

A. Yes sir.

Q. To handle the through business.

A. Yes sir.

Q. And the only additional expense that the local travel imposes upon train No. 1 is the cost of making the ticket itself, and can you figure out anything else—unless it may be the injury incident to travel.

A. The assumption is in your question.

Q. I am asking you the question?

A. I do not agree with you at all.

Q. You have No. 1 scheduled to run from Milwaukee to La Crosse?

A. Yes, sir.

Q. Scheduled before it starts out to make certain stops at certain places?

A. Yes sir.

Q. That train is scheduled to run from Milwaukee to La Crosse, even if it has not a single passenger on it?

A. Yes sir.

Q. You have organized that train mainly because there is through travel between those points?

A. Yes sir.

Q. That desires to go over that line at night?

A. Yes sir.

Q. What additional element of expense is imposed upon
8107 the running of that train by a passenger that gets on at Milwaukee while the train is standing there waiting; and that passenger gets off at Oconomowoc after the train reaches there and stops there according to schedule?

A. Now, let us suppose that at Pewaukee there are people who make a habit of trains that train up to Oconomowoc. That at Oconomowoc there are a good many people who take that train to, we will say Watertown. At Watertown there are a good many people who take it *at* Columbus, and at Columbus a great many

people who take it to Portage. That train has a little local business up through there. But suppose it were necessary for us to keep a man at those stations to take care of that local business, wouldn't you say the local business on that train would cost us something more? Now, there isn't any through business there. As an actual matter of fact there was not one single passenger of all those who got on and off, there was not a single passenger on this day, and it was selected at random—who was not a local passenger. We had to keep those stations open to take care of those local passengers. There is not any through business for that train.

Q. Do you think you have answered my question?

A. If I understood it I have. I intended to.

Q. My question was, what additional expense if imposed upon train No. 1 by a passenger who gets upon that train at Milwaukee while it is waiting, ready to start, and who gets off that train at Oconomowoc after the train stops there according to its schedule?

8108 A. Now let me ask you Mr. Lehmann, do you mean what actual expense among those items we have apportioned exactly to the train?

Q. Of any kind whatsoever?

A. Well, the local passenger is one of the largest elements of risk to handle, and the local passenger on that train is a good deal more of an element of risk than the local passenger on the day train. That train is made up with coaches at the rear, where at a number of stations it stops the platform may not reach back to them, unless it is an exceptionally long platform, and we have incurred out of the local traffic, before they get through, an element of risk that we have not with the through passenger who stays on the train.

We also have the terminal expense of the passenger, getting him on the train and putting him off. That all costs money.

Q. How much is your total risk of injury to passengers in your passenger service, the total of it? What percentage does it bear to your passenger income?

A. Oh, I can't tell you that without looking it up.

Q. I will be glad to have you look it up Mr. Ellis?

A. Well, in the fiscal year ending June 30, 1908, our total injuries to persons was $436,222.51. I cannot tell you how much of that was passenger and how much not.

Q. What relation does that bear to your total revenue?

A. The total revenue was $11,883,394.

Q. Can you in a rough way suggest the percentage?

8109 A. Yes sir (witness figures).

Q. I thought you could suggest it in a rough way—by the way, was that total passenger revenue you gave, or revenue of all kinds?

A. The total passenger revenue.

Q. Take the total of injuries to persons, and the total revenues of all kinds?

A. All right. Neither one of them will show it any way. It is less than one per cent.

Q. Less than one per cent of your total revenues of all kinds?

A. Yes sir. Let me suggest in that connection that a $500.00 damage settlement is a considerable settlement of a 20 cent ticket.

Q. It so impresses me.

Isn't it a fact that your injuries to persons for which you are held responsible, do not amount to 10% of your total injuries to persons?

A. I think the injuries to passengers in practical operation of railroads of this country is very slight.

Q. Negligible, isn't it?

A. Oh, yes. I do not advance that as a serious difference in cost. But you asked me for the elements.

Now I advanced terminal expense as an element. It doesn't amount to very much, but it is an element; it does cost more. That is all. I do not contend it costs so much more to put a local
8110 passenger on the train, as to be prohibitive, but neither can you say it does not cost anything. It costs something.

Q. I recognize the actual increase of hazard as an incident to an actual increase in the number of your passengers, because the more people you have got to handle undoubtedly the greater liability of somebody's being hurt. Now I am not disposed, Mr. Ellis, to recognize as an increased element of terminal expense, the cost of an additional passenger. It does not impress me as being upon the same footing?

A. The terminal expense increases in inverse ratio to the length of the journey, because between two local points it costs about the same to put a passenger on the train and take him off. Of course if he goes twenty miles it is much more than if he goes 100 miles.

Q. The case I was putting was the local passenger, taking No. — at Milwaukee while it was there waiting to start, and that passenger getting off at Oconomowoc, where the trip stopped as per schedule. I recognize that there is an added element of risk again, although it is very slight. But how is there any added terminal expense on account of that man? You have your stations already, you have your ticket agents there, regardless of him——

A. No sir, not regardless of him. We would not have the agent there if it were not for him. If that train were going to run
8111 through Oconomowoc without stopping, we would not have any expense.

Q. You mean you stop your train at Oconomowoc solely because of the local travel?

A. Entirely so. I am showing you that the fact is that there was not any through travel from there.

Q. It was my impression that a great many people from St. Louis go to Oconomowoc, and I supposed you would be willing to take them on your trains?

A. We would be glad to.

Q. And they would buy their tickets from St. Louis to the stations on your road?

A. Yes sir.

Q. And they are interstate passengers?

A. Certainly. But what I am saying is this. We stop for the local passengers, and that is why we do it.

Q. Do you call a man going from St. Louis to Oconomowoc, and as I happen to know a great many do, a local passenger?

A. No sir. But when there is not anybody on the train from St. Louis, there may be on the train a man from Pewaukee.

Q. Don't you stop at Oconomowoc anyway?

A. Yes, but don't we stop for the Pewaukee man as much as for the St. Louis man?

Q. Yes, but I am trying to develop that fact in the particular case, the incident of any one man getting on the train does not add to your terminal expense at all.

8112 A. Of course that carried to its logical conclusion would be that it does not cost us anything for any passenger for terminal expense. We stop our trains for both local and through traffic.

Q. And every passenger added to the train lessens the cost per passenger mile of that train?

A. Yes sir.

Q. Here is what I am trying to bring out: because the expense of running your train is a fixed quantity, almost entirely?

A. Yes, sir.

Q. The risk of injury I think is not. I think that is one element that varies with the number of passengers handled?

A. Yes sir.

Q. But as to everything else that is now in my mind, the expense of running your train is a fixed quantity, and every passenger added provided he does not occasion a specific expense—as for example an express stop on his account, which I assume may involve some expense, reduces the cost per passenger mile?

A. Yes sir, there is no doubt about that. That is exactly why the through train costs less per passenger mile than the local train. That is exactly the reason.

Q. I would like to get my foundation laid here before we come to the conclusions.

Train No. 1, costing $41.16 to run, that being 35.9% of its entire cost?

8113 A. No sir, pardon me for the interruption, but I have not testified to that.

Q. I thought you did?

A. No sir, I distinctly stated it was not.

Q. I would like to know just what it is?

A. I can't tell you, I don't know

Q. I do not understand the significance of the note on this paper, then?

A. That is why it was put in a note. It is not very significant.

Q. In the total passenger expense for the La Crosse division for the year, in the above data (counsel here reads note on exhibit 11). I understood you to say that the other 64.1%——

A. Yes, of the total operating expense. Now I can't tell you how much of the items here are imposed on those trains. The only purpose of that note was to show that the items which are compared are of considerable proportions. That is all. That may be 35.9% of the total cost of running that train, when you get it to a concrete figure, or it may be 20% or it may be 50%. I don't know, and nobody can tell you.

It does show this: It shows beyond any question Mr. Lehmann the relation between through and local average expense per passenger mile, and that is all it does show. You cannot figure
8114 from that what it costs per passenger mile to run that train.

Q. Assuming it costs $100.00 to run that train, the total expense of it: if you had but one passenger, and wanted to get your money out of the running of that train, you would have to charge him $100.00, wouldn't you?

A. I should think so.

Q. Manifestly so?

A. I think so.

Q. Another person added would not increase the cost of running that train?

A. No.

Q. But would diminish the charge per passenger mile.

A. Yes sir.

Q. A great deal?

A. Yes sir.

Q. And so on with each passenger added to that train?

A. Yes sir.

Q. Until you reached the limit of the efficient capacity of the train?

A. Yes sir.

Q. And that would give you the minimum of passenger mile cost, wouldn't it?

A. Yes sir.

Q. And there you would stop if you were at liberty to conduct your business as you thought most advantageous, if you were
8115 under no compulsion of law or public opinion, or anything of that kind, until there was an indication of travel sufficient to justify you in putting on another train, wouldn't you?

A. Yes sir.

Q. And you would put on that other train long before you had travel enough to fill it to its point of highest efficiency wouldn't you?

A. I think that is usually done.

Q. In other words, you would put on the second train as soon as you reached the conclusion that there was additional travel enough to make the second train profitable, even though not as profitable as train No. 1?

A. That is not the way the trains are put on, Mr. Lehmann, the fact is this——

Q. You would do that, wouldn't you?

A. I think not. I don't think that would have much to do with

it, and for this reason, that whether it pays or not a railroad company is obliged to perform its duty as a common *character.*

Q. I eliminated that expressly.

A. All right, I'll eliminate that. Then it is necessary for the railroad to run its trains in order to conduct its business, with reference, for instance, to other trains. Take this train No. 2, sixth on your list of trains there: there is not any earthly need for that train, except to make some connections at St. Paul, which it is
8116 necessary to make for mail and express purposes for the west. If the other trains that were running were made to make those connections, it would not be advantageous to the passengers. Now the probability is that we could load No. 5 with a great deal of the business carried on one of those local trains out to Watertown.

Q. Take No. 2. You say you run that largely because of making connections at St. Paul?

A. From St. Paul. No. 2 runs the other way.

Q. Yes, from St. Paul.

A. Yes, partly that, and partly to get some dead equipment back. That is another thing.

Q. And in itself you do not regard No. 2 as a profitable train, I take it?

A. Yes, of course it is. But the same business could be done on other trains if it were not necessary to do it at this time.

Q. You could do it more advantageously, then?

A. On other trains?

Q. Yes, other than No. 2?

A. I think so.

Q. You have an increased cost for doing that business because of the necessity or desirability of making your connections from St. Paul?

A. Yes sir.

8117 —. It is an additional expense imposed essentially by interstate travel, isn't is?

A. No sir, that is a train that not much passenger travel is taken on. It is practically a service train.

Q. No. 2 runs from St. Paul?

A. It comes down to La Crosse in a way. It comes down as No. 16, or did at that time. Then it lays over there, then goes on through Milwaukee, and then it is lost, merged in another train.

Q. It is interstate conditions that bring that about?

A. Yes.

Q. So there is a burden that ought to be imposed upon your interstate travel, isn't it?

A. Yes. Then there is a train on the Mineral Point Division which has never earned its axle grease. That evens things up.

Q. But those things have been omitted. I have just discovered No. 2?

A. I would be glad to give you all the data on No. 2.

Q. I wasn't asking you about the Mineral Point train. You have

spoken about that. But I think I am entitled to know about No. 2, and why haven't you included that in exhibit 11?

A. I will tell you why. There are a large number of trains I have not included, because I have attempted to select trains which would show the facts, I intended to testify to. If you desire to have every train in this exhibit computed in the same way, I will be

8118 glad to have the computation made and furnish it to you.

Q. No. 2 if included here would materially alter the general average, wouldn't it?

A. No sir. The peculiar way in which No. 2 runs makes it more a local train than interstate. The fact is train No. 2 carried 117,000 miles of through business and 400,000 miles of local business, at a low cost, so it would tend to increase the local cost.

Q. But I understood you to say that No. 2 was essentially a service train?

A. It is essentially.

Q. And you make your local travel resort to service trains which carry through passenger coaches, and a large number of service coaches, and then you reach the conclusion that the local travel is much more expensive than the through travel?

A. No sir, we do not do anything of the kind. I left that train out because it does not represent normal conditions. In the entire state of Wisconsin we run only one through train.

Q. I don't care whether you call it a through train or not. You say it runs from St. Paul and is lost somewhere in the state of Wisconsin through finally being absorbed in another train?

A. Yes sir.

Q. That is manifestly an interstate train, then, because it runs from Minnesota into Wisconsin?

8119 A. Yes. If I had put the figures of train No. 2 in there you would have cross examined them out. I will be glad to make them for you. They only further sustain my contention but they are not fair figures. They are not fair to you. I will give them to you gladly, if you will let them in.

Q. I am never troubled about fairness to myself——

A. Neither am I. Only I haven't left anything out.

Q. You say they would not be fair to me—you mean to the state, of course?

A. Yes.

Q. Yes, because travel on No. 2 is largely local?

A. At a very high cost.

Q. Yes, and at a very high cost?

A. Owing to the nature of the train.

Q. Owing to the nature of the train being essentially a service train?

A. Yes, it only carries two passenger cars.

Q. And do you believe, Mr. Ellis, that it is proper to compute the cost of doing the passenger business on that train upon the train's entire expense?

A. Why, no.

Q. When you say it is essentially a service train?

A. No, I do not. It is a train I did not compute because there is not any fair way of computing it. That is the reason I left it out.

Q. And ought not the expense of that train be charged to your interstate business?

A. It is.

8120 Q. Where?

A. Mr. Lehmann, I have not pretended to give a complete analysis there of our state and interstate business. I have simply cited some illustrations, and in doing so I tried to pick out normal conditions. I gave you first a train that is purely through; and next a train that is through and local; and then a local train.

Q. Don't you call train No. 1 highly abnormal?

A. Not as a through train.

Q. I mean presenting abnormal conditions, passenger traffic stripped of every encumbrance?

A. It is not stripped of any incumbrance that ought to be there. It has every thing that belongs to a passenger train.

Q. Why shouldn't the through train be burdened with baggage, mail and express, as well as the local?

A. It is.

Q. Is No. 1 so burdened?

A. It simply got too big and it is cut in two. No. 5 is.

Q. Is No. 5 the reciprocal of No. 1?

A. No sir, No. 4 is.

Q. Is No. 4 burdened with mail and express cars?

A. Yes sir, No. 4 brings part of the equipment back, and the rest of it comes back on No. 2. You see No. 1 is a two section train west bound only. No. 4 is in one section.

8121 Q. Does it haul the two trains back?

A. The second equipment is what comes back on No. 2, that I am telling you about. Part of it comes back on No. 4 and part on No. 2.

Q. In other words, you have fewer trains one way than the other?

A. No sir. The service is different. The demands are different.

Q. You distribute the cars differently?

A. Yes sir.

Q. And you have just as many trains or otherwise you would finally land all your locomotives at one end?

A. Yes sir, and No. 2 is the train that takes up the slack on the equipment.

Q. No. 2 does more local business?

A. Yes sir, it seems to do a good deal more local than through business. 700 through passengers and 2708 local.

Q. How about the mileage?

A. 111,998 through passenger miles and 400,052 local. The reason for that is that at that time it came through Wisconsin along in the early evening, and got into Milwaukee I think about midnight.

Q. No. 2 pulls back from La Cross to Milwaukee the bulk of the

service cars that the first section of No. 1 has taken from Milwaukee to La Crosse?

A. Some of them.

8122 Q. The greater number?

A. I don't know; it brings back whatever No. 4 cannot carry. I don't know just how that is divided.

Q. Is No. 4 a through train also?

A. Yes sir, that is the opposite train to No. 1.

Q. Does that carry more local relatively than No. 1?

A. Why, yes, a little. The percentage of interstate on No. 4 for this period was 87.4%—no sir, it carries more through. The percentage of through was 87.4 and of local 12.6. One reason for that is that it leaves Minneapolis just a little while after No. 56, which does the local work at that end; and it gets into Milwaukee about 7 o'clock with a local train following in a little while, so it does not get a great deal of the local business that No. 1 gets at both ends.

Q. No. 56 starts out a little ahead and gets in a little behind?

A. It gets in a little ahead.

Q. How is No. 56 made up?

A. No. 56 is known as the fast mail. Until the establishment of a government train, which does not carry passengers, it was the mail train. It was the principal passenger train.

Q. It does not carry passengers?

A. Yes, but only a small amount of passenger equipment. It is run as a mail train.

Q. And does that do a great deal of local business?

A. I cannot tell you. That was one thing which was done

8123 at the suggestion of the Commission. We excluded No. 56, while at the time this was made No. 56 was not carrying passengers through Wisconsin.

Q. Not carrying passengers?

A. No sir, it was excluded from this statement, because it was not a passenger train.

Q. Your passenger miles on these five trains for the period indicated here are pretty nearly equal as between local and through, one being 967,000 and the other 1,078,000: what is the fact with respect to the total of your passenger business in Wisconsin in that respect?

A. For that year the local passenger miles were 79,123,588 and the interstate passenger miles were 63,801,277.

Q. So that the larger proportion of your passenger business is local?

A. Oh, yes.

Q. And is carried chiefly on what are known as local trains?

A. We have but one through train in Wisconsin.

Q. That is one and its reciprocal No. 4?

A. Yes. Every other train is run with primary attention, practically, to local needs.

Q. You do not adjust your charges to the expense per passenger mile of running those various trains, do you?

A. You mean the rate we charge?

Q. Yes.

8124 A. Why, no.

Q. And never did, so far as you know, did you?

A. Nobody could.

Q. From the very beginning passenger rates have been on a mileage basis?

A. Why, certainly.

Q. And have not taken distance into account, except as competitive conditions have required it to be done?

A. Have not taken distance into account?

Q. Except as competitive conditions have required it to be done?

A. They have been based on distance.

Q. That was a mileage basis. I mean have not taken distance into account in the sense of diminishing the mileage rate, except where competitive conditions have required that?

A. Oh, no.

Q. In other words, in the absence of legal requirement, and as a just mode of distributing the cost among the patrons of the roads, the railroad companies where they have been allowed to do so have always done it on a mileage basis?

A. I do not think there has been any principle of justice involved in it. It has been the competitive conditions that have fixed that as the only basis they could get.

Q. Competitive conditions have rather warped that a little, haven't they?

A. Very slightly. In Wisconsin on purely local business
8125 when the rate was three cents, out of $777,000 of passenger revenue, covering 27,000,000 passenger miles, which moved on three cent tickets, we got 2.8 cents. That is where the rate was 3 cents. And that represents exactly the shrinkage in the short line mileage to meet the short line rates.

Q. You mean where your rate was a three cent rate, where you intended to get that, you still got but 2.8 cents, because while you still charged 3 cents per mile, you based the charge not on the mileage of your line, but on the mileage of a competitive line, which was shorter than yours?

A. Yes, at competitive points.

Q. And is that the total of the three cent business you did?

A. Yes sir, that is the three cent business separated out?

Q. From the rest?

A. Yes.

Q. And the short line mileage element was enough to reduce that?

A. Yes sir, to 2.8 cents—.2 cents.

Q. Just as a result of the short line mileage?

A. Yes sir.

Q. And competitive conditions?

A. Yes sir.

Q. That three cent business was practically all of it local, wasn't it?

8126 A. This was all local. Now on the interstate business, moving through the state at the same time, what was then the three cent business, the rate on the state business was 2.80, and the Wisconsin proportion of the interstate business was 2.79—or .01 cents more by reason of the fact that the longer journey brought more competitive mileage into competition.

Q. That is also three cent business?

A. Yes sir, that is three cent business.

Q. And it was meant to be so?

A. Yes sir, it was separated out from the rest.

Q. How much of that was there?

A. Of the interstate?

Q. Yes.

A. The revenue was $476,305.86.

Q. And the local was how much?

A. In revenue?

Q. Yes.

A. $777,907.90.

Q. How much local business did you do on the two cent basis?

A. Mileage and credential and local excursion——

Q. What do you mean by credential?

A. The Credential was a form of two cent fare where you bought a certificate that you had paid $1.00 for and if you traveled 2,000 miles within a year you got a refund down to two cents.

8127 For this statement we figured out what did actually refund. The two cent business local was in round numbers over $566,000.

Q. The local portion of it?

A. Yes.

Q. How much for the interstate?

A. $266,000.

Q. That is based on mileage, credential and excursion?

A. Yes.

Q. Does that include your through tickets, New York to California, and things of that kind?

A. Well, that included every thing that was not on a three cent basis.

Q. For the year?

A. I mean there was nothing in there that was on the three cent basis.

Q. For the year?

A. Oh, there are other items here. For instance there was cash fare three cents straight. There we got three cents and did not get the short mileage.

Q. How much of that?

A. $190,000 local, and $9,000 interstate.

Q. I was not very far wrong, was I?

A. No sir, because if a man got on for a long journey he could pay cash fare until he got to the division end. That is not a very active item.

8128 Q. That does not give us the total of your passenger revenues?

A. The total passenger revenue was $1,790,000.

Q. That does not cover the year?

A. Yes sir, that is the total local. The interstate was $1,372,000.

Q. Do those two sums make the total of your passenger revenue?

A. For Wisconsin only. The total was $3,162,000.

Q. Of which, how much was local?

A. $1,790,000.

Q. The rest was interstate?

A. Yes, $1,273,000.

Now a significent fact is that connection, Mr. Lehmann, is that when we had a three cent fare there the average journey for the entire state was 30 miles. But it is a fact that over 700,000 of the 900,000 actually rode 50 miles, and their average journey was 19 miles. That is what makes the local business cost. That tremendous proportion of 20 mile journeys, and that is the typical local journey.

Q. Well, if you have enough of it——

A. The more you have the more it costs. I am speaking of its relation to the man who rides just the Wisconsin portion of the interstate journey, as against 30 miles for the entire local journey. The Wisconsin portion of the interstate journey averages 70 miles.

8129 Q. Do you mean the more you get the more it costs per passenger mile?

A. No sir, per passenger. I mean this: I mean if it is costing more to handle the local business than the through business that divergence becomes greater the more local business you get. I am now speaking of the relation between the two. Of course you reduce it the more passengers you get.

Q. Aren't you mistaken about that? Isn't it necessarily true that the more local passenger business you get, you keep your trains full, although it is by a continuous process of passengers getting on and off?

A. Or if we did that it would be a different proposition, but we never do.

Q. But the real trouble about your local business after all is that there is not enough of it?

A. Yes, that is true. It is not there. In all these western states we get a good deal more passenger travel per capital of population tributary to the railroads than they do in the more congested portions of the east. The people of the west to-day are the greatest travelers there are. But none of them are going to spend two cents they would not otherwise spend, to save one cent that they have any way.

Q. You think that the density of local travel is greater in the west than in the east?

A. In the proportion of population tributary to the railroads, I said.

8130 Q. But not in proportion to territory?

A. No sir, there are no where near the number of people.

Q. But in proportion to population reasonably tributary to the railroads, you think it is greater here than in the east?

A. Yes, very much greater. I made some figures on that at one time, but I don't remember what they were. But it was very much larger.

Q. I am asking only for your general information on that?

A. It is very much larger.

Q. Is that particularly true of the north and middle west? Is the upper Mississippi Valley, would you say the region of greatest local travel relative to population?

A. I think that condition would obtain—for instance I never made the exact figures for Missouri, but I would say it would compare——

The COURT:

Q. Out of every thousand people tributary to a railroad in the west more travel than out of every thousand people tributary to a railroad in the east?

A. Yes sir.

Q. But no more than out of every thousand of population?

A. No sir.

Mr. LEHMANN:

Q. Train No. 7 on exhibit 11 does a local business exclusively?

A. Yes sir.

8131 During the period shown on that statement there was not a through passenger on that train. That train does not make connection with anything that would carry a through passenger.

Q. That is a short run train?

A. Yes sir, it runs 45 miles.

Q. Is that the shortest of all you have indicated?

A. It is the shortest train on there.

Q. What does it do, make the round trip each day?

A. No. 7 would not.

Q. But the physical institution, does that make the round trip every day?

A. I think so.

Q. That would be 90 miles?

A. Yes sir.

Q. Do you know whether it possibly does more than that?

A. No sir, it would not, because that would constitute a day's work under the schedule.

Q. Now your No. 33, what is the length of its run?

A. 33-233. It takes the two numbers to make the run. That is 81 miles.

Q. That train, the physical institution, does not make the round trip in a day?

A. No sir.

Q. That would make simply a trip one way?

A. Yes. It would go out in the morning and come back the next day.

8132 Q. In other words it takes two trains to make that round trip daily?

A. Well, I guess the fact is that that identical crew makes the round trip in one day and then does not work the next day. It equalizes in that way.

Q. For that purpose it comes to that, through?

A. Yes.

Q. Practically speaking, that train does no through business?

A. No, there is a little trace of through travel in there, probably people in Milwaukee going out to Iowa on to the Du Chien division would take train and lay over.

Q. It does not indicate much on here?

A. No sir, it would be about 6 passengers.

Q. That train runs entirely within the state, does it?

A. Yes sir.

Q. The expense of passenger miles on that seems to be greater than it is on No. 7?

A. Yes.

Q. To what is that due?

A. That is due undoubtedly to the fact that No. 7 gets a heavier load for its equipment.

Q. Yes, that is indicated by your statement?

A. The average passengers per coach mile on No. 7 were 34.8.

Q. No. 33 is the one?

A. On No. 7, I mean, and on No. 33 the average number

8133 of passenger coach miles was 16.4.

Q. That is indicated here?

A. Yes.

Q. That is in connection with the longer run, it would be indicated by the figures here?

A. Yes.

Q. Because it has not moved more miles of passengers, while it has nearly doubled the run?

A. Yes, nearly doubled the run.

Q. No 23 is mainly a local train, 169,000 local passenger miles, and 18,000 through passenger miles?

A. Yes, No. 23 is a train running only to Portage. That is an evening train out of Milwaukee.

Q. What is the length of the run?

A. 93 miles. That is a purely local train. That is people all through that section, when they have been in the city for a day's shopping, go on that train.

Q. How many trains have you altogether, Mr. Ellis, can you tell—related to this time, in order to be harmonious?

A. You mean at that time?

Q. Yes, I think you ought to relate it to that time?

A. I think that statement covers 172 trains.

Q. They are not all on this one sheet, then?

A. Oh, no; that is merely the La Crosse Division. But that includes all of the trains operated at that time in the state of

8134 Wisconsin which carried passengers, or substantially all. I see No. 36 was eliminated.

Q. You make that how many?
A. 172.
Q. And out of 172 there were 12 trains that were through trains?
A. Yes, that you could consider operated as through trains in practical disregard of local conditions.
Q. That is what I mean?
A. Yes sir.
Q. Two out of one hundred and seventy-two?
A. Yes.
Q. Have you given the number of passenger miles in through travel in Wisconsin?
A. The total?
Q. Yes?
A. Yes.
Q. Have you given that in your testimony?
A. To be sure about that I can give it again.
The total number of passenger miles was 142,924,865, of which 63,801,277 were interstate and 79,123,588 were local.
Q. And that was for what period?
A. That was for the calendar year 1905.
Q. The calendar year 1905, and this exhibit 11 refers to the month of March——
A. No sir, it refers to the period from April 9 to May 20, 1906, and the cost is based upon the actual figures of the month of
8135 March.
Q. The number of tons not essentially changed in the interval?
A. The number of tons is what I have in the report from April 9 to May 20.
Q. There would be substantial change?
A. No sir. The reason why the calendar year 1905 was taken for the passenger analysis was so the figures could be brought down to the latest period we could complete before the trial of the case. Then these other figures were made at the suggestion of the commission, and were made as soon as the suggestion was made to make them.
Q. Your very cheapest trains on the passenger mile cost basis was No. 1, and its reciprocal?
A. Yes.
Q. All the other trains carried practically as many or more local passengers as through?
A. Yes.
Q. Estimated in passenger miles?
A. Computed in passenger miles. That is an actual computation.
Q. I will accept the substitution.
Do you know of any other trains than No. 1 and its reciprocal that carried more of the through than of the local?
A. Why, no. On the Chippewa Valley division the percentages of passengers on the through passenger trains were interstate
8136 passengers, 4.8
34.2
45.3
45.8

The Superior Division, train No. 2, carried 74.2 through, and No. 3 carried 83.5 per cent. No. 3 is on exhibit 28.

Q. No. 3 is on exhibit 28?

A. Yes. But the Racine and the Southwestern Division trains No. 48 and No. 31, carried 94% through passengers.

Q. That is not given on either Exhibit 11 or Exhibit 28?

A. No sir, I did not have anything from there.

Q. How does that come to pass?

A. That I did not take them?

Q. Oh no. But that it carries 94%?

A. The reason for that is that is a small train that runs through from Rockford in Illinois, up through Beloit and Janesville, and practically all its service is interstate. It just happens that all its service is interstate.

Q. It is a local train?

A. Yes, except the state line happens to cross there.

Q. It is a local train, but is an interstate train?

A. Yes sir, that train carries an average of 9 passengers a coach mile. It is a train that would show a very high rate of expense.

8137 Q. What is the expense per passenger mile in mills on that train?

A. I would have to compute that.

Q. You haven't it there?

A. I have the data from which it can be computed.

Q. Can you compute it at once?

A. It would take about 15 minutes to do it. I can figure it later.

Q. What data have you there?

A. I have all the data here.

Q. Have you the data corresponding to what you have shown on exhibits 11 and 28?

A. Yes sir.

Q. We will just take that. That train runs from where, did you say?

A. That runs from Davis Junction up through to Beloit.

Q. And there you say the passenger cost per mile is very high, is it?

A. Yes, because the traffic is very low. It is a little short local train that makes a few connections in there. It does not reach anything that approaches through traffic. Then of course, also the trains on the Chicago & Milwaukee Division, which is an 85 mile run, practically all the business is interstate. It runs 93, 96, 97, 98, and so on. Now there is plenty of inter-state travel reaching a minimum of cost, but those are not typical.

8138 Q. Yet it is essentially local travel?

A. Oh, yes, it is an 85 mile run. It is essentially local travel.

A. That would go in to cut down the interstate travel, if you were to put those in as state.

I think exhibit 11 as thoroughly illustrates the difference between purely local and purely through traffic of a train that does

both through and local business, as any trains that could be picked out.

Q. On exhibit 28, No. 3 on the Superior Division, has how long a run?

A. On the Superior Division train No. 3 runs 198 miles.

Q. I see the expense per day there is given as $61.57?

A. Yes sir.

Q. Apparently higher than anything else you have shown here. I say apparently higher.

A. Yes.

Q. Why is that so?

A. How does that compare with No. 1 on the other?

Q. Train No. 1 on the La Crosse Division is $46.16. That is what attracted my attention to it?

A. And how much on the other?

Q. $61.57.

A. It may be over-time in there. It is probably due to that. That was in March. And 198 miles is pretty close to a full run.

8139 Q. Is this 198 miles?

A. Yes.

Q. And the other is how much?

A. The other is 198 miles also.

Q. Is the La Crosse Division 198 miles?

A. Yes sir. But the conditions on the Superior Division are very different from those on the La Crosse Division. The La Crosse Division is 198 miles, and it is a double track division, where there would be likely to be little delay to trains. No. 3 on the Superior Division is running *in* a single track, against a stream of traffic that is moving in the night, and it would be more subject to delay, and if they got into over-time that would be necessarily incident to that, and they would be more apt to get into over-time by reason of the local work done by that train. And besides that the coal consumption on that train would exceed the coal consumption on No. 1, because No. 1 is a slow train, and No. 3 is a very fast train.

Q. No 1 is a slow train?

A. Yes sir.

Q. You think that it takes more coal, other things being equal, to move a train a mile at a high rate of speed than at a low rate of speed?

A. No sir, but we are talking about 198 miles. It costs more to move it 198 miles and stop every seven or eight miles, than it does to run it 198 miles and stop it about every 30 miles.

8140 Q. Doesn't it take more coal to run at high speed?

A. Yes sir. No. 1 is a slow train.

Q. It is said of our warships that they can run at a certain rate of speed with so much coal per knot, but if they run at a higher rate of speed it requires more coal per knot?

A. Yes sir.

Q. And that is also true of an engine?

A. Oh, certainly. No. 3 on the Superior Division is very much faster than No. 1 on the La Cross Division. The local train runs

faster than the through train. That is one of the elements of cost. They have to run faster.

Q. That depends on the local train, doesn't it?

A. The average local runs a good deal faster than the average through train.

Q. If you take the average local train, that is not true is it?

A. Take that No. 7 there, that probably gets up to 60 or 65 miles an hour a great many times, and No. 1 practically never does.

Q. It is a little difficult to discover the reason in the case of No. 7?

A. Oh no, the reason is the large amount of time which it consumes in its numerous stops. Probably every stop takes upward of six minutes, and they stop at every station.

Q. No. 3 on the Superior Division goes from what point to what point?

8141 A. It goes to Milwaukee. It starts apparently as No. 3 of that Division at Champion and Calumet. That is up in the copper country.

Q. Where does it start?

A. No. 3 starts at Milwaukee.

Q. And it goes where?

A. It goes up into the copper country, Republic, Champion, Marquette, etc.

Q. What is it- terminus?

A. I will have to look at the map and see (after examining the map) Champion.

Q. Champion is the terminus?

A. Yes.

Q. Is that in the state of Michigan?

A. Yes.

Q. Most of your passengers then ride from within the state of Wisconsin to without, on that train?

A. Yes, that carries also the through business from Chicago into the copper country, just as No. 1 carries the through business to St. Paul.

Q. The expense per passenger mile there is 6.55 mills?

A. Yes.

Q. That is a good deal higher than your local travel on any of the trains indicated on exhibit 11?

A. Yes.

Q. No. 23 on the Superior Division runs from where to where?

8142 A. No. 23 runs from Milwaukee to Green Bay.

Q. Both in Wisconsin?

A. Yes.

Q. How long a run is that?

A. That is 112 miles.

Q. Not very dense travel there, is there?

A. Why no, that train averages 12 passengers to the coach.

Q. But this No. 23, you have the passenger miles expense in mills?

A. 8.04 mills.

Q. You have local passenger miles 128,798, and the local expenses $1035.54.

The through passenger miles 18,026, and the through expenses $432.70.

How do you get that apportionment of expenses between the local passenger miles and the through passenger miles?

A. It is done by multiplying them both by the average cost for the train.

Q. Just as it strikes the eye here, Mr. Ellis, your local expense is too low. That is, for instance, take it as 18 is to 128?

A. It is possible there is a mathematical error there. If so it is apparent. But the method that was intended was to multiply them both by the same figure.

Q. Look at it and see how it strikes your eye. You still see that the two together sum up more. I did not observe that.

8143 A. It must be a mistake in typewriting.

Q. You can see that those two are more than that (indicating figures on statement)?

A. The correction in that will be, it is very evident the 432 should be something else. I think it is a typewritten error. I think it should be a "1."

Q. One would not harmonize it; the mistake runs all the way through the 432. We will pass that. It is obviously a mistake?

A. It should be $45.62.

Q. No, that would be too small I think?

A. No, that is what it should be. That does not affect the average rate per passenger mile because that was figured from the other two figures. That is evidently a mathematical error in carrying it out.

Q. On your northern division train No. 7 runs from where to where?

A. That runs from Milwaukee to Oshkosh, with a Chicago connection.

Q. That is entirely a local train?

A. Within the state of Wisconsin, yes.

Q. What distance is that?

A. 103 miles.

Q. That is practically a local train?

A. Yes.

8144 Q. 187,501 local passenger miles against 18,751 through passenger miles?

A. Yes.

Q. Through passengers about 1/11 and local passengers about 10/11.

A. Yes.

Q. That is the cheapest train on exhibit 28, isn't it?

A. Yes.

Q. 3.52 mills?

A. Yes.

Q. The expense per passenger miles is in mills?

A. Yes.

Q. Train No. — on your Prairie du Chien Division runs from where to where?

A. That runs from Milwaukee to Prairie du Chien or North McGregor, the Mississippi river crossing.

Q. That does a heavy local and a heavy through business?

A. Yes.

Q. Some more local than through?

A. Yes.

Q. And the cost there is 7.17 mills?

A. Yes.

Q. That is a high cost: what is that due to?

A. That is due to the expense of running that train under local conditions. It makes all the stops and has to run very fast between the stops to make the time that is required.

8145 Q. Train No. 7 does almost exclusively a local business, and yet it has the lowest cost of any?

A. Yes sir. On train No. 7, on the northern division, the average number of passengers per coach is 10.5; on the Prairie du Chien Division No. 1 the average number of passengers per coach is 7.8.

Q. The density of travel really has everything to do with it?

A. Everything, yes.

Q. Prairie du Chien Division No. 5 is about an average train in expense, as indicated by your exhibit 28?

A. Yes sir.

Q. And that is mostly local?

A. Prairie du Chien Division train No. 5 is 95% local. It has an average of 19 passengers per coach mile.

Q. Just what does that signify?

A. That signifies that on the average there are 19 passengers in the coach all the time.

Q. That is what I thought. The equivalent of 19 through passengers in the coach all the time.

Q. That is what I thought. The equivalent of 19 through passengers from the beginning to the end of the road?

A. Yes. If you started out with 19 passengers, and carried them right straight through, you would have exactly the same mileage in the coach.

Q. Can you give the passengers per coach on train No. 1 of the La Crosse Division?

A. 11.8.

8146 Q. That is the average on the train?

A. Yes.

Q. Can you discriminate between the different coaches making up the train?

A. You mean as to sleepers, and so on?

Q. Yes.

A. No sir, except that I recall at that time when we had the original data before it was compiled, the sleeping cars on that train showed a higher average per coach mile than the coaches did.

Q. But the average on the statement is 11.8?

A. Yes.

Q. Take No. 5, and what is the average per coach mile on exhibit 11?
A. 15.7.
Q. And what is it for No. 23?
A. 17.3.
Q. What is it for No. 33?
A. 16.4.
Q. What is it for No. 7?
A. 74.8.
Q. Why is the rate of expense so high on No. 7, with that high coach mileage?
A. As compared with No. 1?
Q. Yes, or compared with any other?
A. You are now getting into the average per coach. On
8147 No 1 all these expenses we are comparing are divided between 10 coaches, each of which has 11.8 passengers. On No. 7 the expenses have to be divided between two coaches, and in order to be equal, the average number of passengers would have to be five times as much on No. 7 as on No. 1, while as a matter of fact it is a little more than three times.
Q. Take No. 3 on the Superior Division. What is the coach mileage?
A. You mean the average number of passengers per coach?
Q. Yes?
A. 9.5.
Q. And how many coaches are run on that train?
A. 5.
Q. You use the term "coach" always as a car carrying passengers?
A. Yes, a car carrying passengers.
Q. And you speak of the others always as "cars".
A. Yes.
Q. What is the average of No. 23?
A. 12.1.
Q. How many coaches are run on that train?
A. 3.
Q. And how many service cars?
A. I can't tell you. I should say 1, but there might be two.
8148 Q. Take No. 7 on the northern division: how many coaches run on that?
A. 6.
Q. How many persons per coach?
A. 10.5.
Q. While that is a state train, it is in the end a through train?
A. No sir, that is purely a local train.
Q. Is that a night or a day train?
A. That is a day train. There is not a night train on that division.
Q. No night train on that division?
A. No sir, that is a division which has no through service.
Q. And you say the number of persons per coach mile is 10.5?
A. Yes sir.
Q. That is low?

A. Yes sir.

Q. Especially for a day train, isn't it?

A. Yes sir. The reason for that is, as to that particular train, that the northern division is a division having a good many branches, and there are six coaches in the train, but one of them is what is called the Mayville coach. Now only the passengers for Mayville or points outside of that, would get in that coach. That is thrown off and sent up a branch line. Then there is the Burlington coach, and that is sent up another line. I think there is
8149 another coach dropped off at still another junction. So the physical necessities of the train require more equipment than the business it handles.

Q. That train does not run through with its six coaches from start to finish, does it?

A. No sir, not all the way.

Q. Now would you estimate the service that train renders here? Did you follow those cars through to destination?

A. Yes sir. We took the number of coach miles in the train. If one of those coaches goes only part way it is multiplied only by the number of miles it goes for the day.

Q. And in that way you get an average of only ten.

A. Yes, an average of ten to the total. There are so many coach miles altogether.

Q. Made on that run?

A. Yes, and there are so many passenger miles. Divide the passenger miles by the coach miles, and you get the average per coach.

Q. I don't quite see how you get so low a cost with that low coach passenger figure?

A. The reason for that is that the train is operated with a light crew. It is operated under favorable conditions. It is a light train most of the way.

Q. No. 33 runs how many coaches?

A. That runs four coaches.

Q. How many miles?

A. 103 miles.

8150 Q. What are the passenger coach miles there?

A. 6.4.

Q. There you get a corresponding high cost?

A. Yes sir.

Q. That is the highest cost indicated on either of your schedules here?

A. Yes.

Q. 8.79 mills?

A. Yes.

Q. Why do you run so many cars on that train?

A. That has a through coach to and from Berlin and Mayville. That branch has this divided service on account of these important towns that are off the main line, that want a through coach so they don't have to change cars at the junction.

Q. No. 3 of the Wisconsin Valley Division has how many coaches?

A. Four.

Q. And what is the number of passengers per coach there?
A. 9.3. It runs 183 miles.
Q. Take No. 1 on the Prairie du Chien Division?
A. Do you want No. 5 of the Wisconsin Valley while we are there?
Q. Yes.
A. It runs 133 miles, with three coaches, and an average of 11 passengers per coach mile.

8151 Q. Now take No. 1 on the Prairie du Chien Division?
A. No. 1 runs 194 miles, with an average of 7.5 passengers per coach mile.
Q. How many coaches?
A. 4 coaches.
No 5 on that Division runs 195 miles, two coaches, and an average of 9.5 passengers per coach miles.
Q. On No. 1 of the Prairie du Chien Division you have a very considerable volume of through travel?
A. There is 57% through travel there.
Q. No?
A. On No. 1?
Q. Look at it again?
A. No. 1, Prairie du Chien Division?
Q. Yes.
A. 42% through travel and on No. 5 is only 8.7.
Q. They are not the same termini for those two trains?
A. Yes, they have the same.
Q. They have the same termini?
A. Yes, then run from Milwaukee to Prairie du Chien.
Q. One day and one night train?
A. Yes.
Q. Which is the night train?
A. No. 1.
Q. Your night trains carry relatively more through travel than the day trains?

8152 A. Yes.
Q. Is that generally true of your system?
A. Yes, you see that in there (indicating exhibits).
Q. It is incident to the long journey?
A. Yes, you see that in the Superior Division. Wisconsin Valley train No. 30 is a night train, and No. 5 is a day train.
Q. You carry sleepers on all those night trains?
A. Yes.
Q. Did you make up a statement relative to trains in Missouri?
A. No.
Q. Something like this statement?
A. No, I have not done that because it is a very hard and expensive matter to compile these statements. The other lines in Missouri have very generally done it, and I think I have shown our conditions in Missouri are, generally similar to conditions that affect the cost in Wisconsin, and in Wisconsin we did that very thoroughly.
Q. You say you understand that the other lines have done that?
A. The other lines that have representative conditions.

Q. Have done that?

A. I have understood that they have made a presentation or prepared figures on the passenger cost.

Now those things I am giving you from Wisconsin are much more typical of general conditions in Missouri than of our
8153 particular condition in this state, because we have only one light straight through. This takes the branch lines, and shows you the difference between the main line and the branch line conditions in Missouri.

Q. You mean your exhibits here?

A. Yes sir. And the same relation of things would exist in Missouri that does in Wisconsin.

Q. Exhibit 14 is a diagram of traffic on the Kansas City Division, train No. 5?

A. Yes, sir.

Q. On June 15, 1908?

A. Yes sir.

Q. From Powersville to Kansas City?

A. Yes sir.

Q. This diagram which is marked exhibit 14 has on the side of it the names of the stations which I assume are between Powersville and Kansas City?

A. Yes

Q. You have undertaken to represent what in this diagram?

A. The passenger traffic on that train from Powersville to Kansas City, being represented by each of the small squares.

Q. These sections here (indicating)?

A. Yes, within the square, representing a passenger mile.

Q. On the left of the diagram, and to the right of the names of the stations you have drawn some blue lines: what do they indicate?

8154 A. That is intended to enclose the number of passengers riding between the two stations indicated, and the number of miles they rode. That is, the first indication on the diagram is an oblong enclosing seven squares vertically, and fifty six squares horizontally. That indicates when the train reached Powersville there were seven passengers on it, who stayed on until they got to Chillicothe.

Q. That is indicated because you stopped the mark at Chillicothe?

A. Yes. Now the next indication is of five passengers who were on when the train came to Powersville, and got off at Excelsior Springs.

Q. That is indicated by the stop mark there?

A. Yes.

Q. Those were the only ones that got off?

A. Yes.

Q. The next indication is 58 passengers, who were on when the train reached Powersville, and staid on until it got to Kansas City?

A. Yes sir.

Q. How did you find that?

A. You count those small lines. The next indication is one pas-

senger who got on at Galt and got off at Chillicothe. The next one is of two passengers who got on at Galt and went to Excelsior Springs. The next is of 7 passengers who got on at Chillicothe and went to Lawson. The next is of three passengers who got on at Chilli-
8155 cothe, and went to Excelsior Springs. The next is two passengers who got on at Chillicothe, and went to Liberty. And one passenger who got on at Chillicothe, and went to Kansas City. Then one passenger who got on at Lawson, and went to Liberty. Another one got on at Lawson, and went to Kansas City. Seventeen passengers got on at Excelsior Springs and went to Liberty. Twenty-four passengers got on at Excelsior Springs and went to Kansas City. Nine passengers got on at Liberty and went to Kansas City.

Q. Now what are the rest of these exhibits?

A. They are all practically on the same plan.

Q. Simply different trains?

A. Yes, simply different trains, showing two trains on the division, going both ways, one in the winter and one in the summer, going both ways.

Q. You have four trains exhibited in these sheets in the manner indicated?

A. Yes sir, one in each direction, two in the summer, and two in winter.

Q. Do you know what the comparative volume of state and interstate passenger travel is over your lines in Missouri?

A. Why, no, except that normal conditions exist as to our traffic here, so far as I can see——

Q. Would your reports or records show that?

A. No sir, not without making a computation for that purpose. We do not keep them separate. I could have it made, but I have not done so.

Now, just a moment—perhaps I am wrong about that,
8156 Mr. Lehmann; in fact, I think I am. I think I have that.

Q. I wish you would see if you have?

A. (After examining papers.) I have it seperated as to revenue for the fiscal year ending June, 1908.

Q. You have it separated as to revenue?

A. Yes. The interstate passenger revenue was $164,172.32.

Q. That is interstate?

A. Yes.

Q. And what was the local?

A. The local was $111,284.54.

Q. You have more inter-state than local?

A. We have here.

Q. In Missouri, you mean?

A. Yes.

Q. You have no trains that are either distinctively local or through, I mean in the sense of being exclusively so?

A. No sir.

The COURT:

Q. In Missouri you have no towns of any size on your line?

A. No sir.

Q. Liberty is one of the largest?

A. Liberty and Chillicothe, and I notice in reading over the papers, that Laredo does considerable business. I know nothing about those towns.

Mr. LEHMANN:

Q. But you have no trains that render an exclusive service, either state or interstate?

8157 A. Yes, I think we have. I think we have one train that runs between here and Chillicothe. I have that impression. (After examining papers.) Yes, we have a train running between Kansas City and Chillicothe. It leaves Chillicothe at 7 o'clock in the morning, and gets to Kansas City at 10:30 in the morning; then leaves *at* Kansas City at 4:25 p. m. and gets back to Chillicothe at 8 o'clock. That is a local train to take care of the local business into Kansas City and back.

Q. You do not know the volume of business done by that train?

A. I do not. You see it is a very expensive matter to get these special report compilations, and we have not done it in the Missouri case, because our situation here is not typical of the general conditions of the business.

Q. I understood you to say that in Wisconsin the state freight business is less than car-load?

A. You understood me as to that Mr. Lehmann. There is no where that business is less than car-load. The total less than car-load business amounts to about 7%. In Wisconsin the less than car-load business is 6.41%.

Q. Of the total business?

A. Of the total local business. That is, the local business separated from the interstate.

Q. What percentage of the through business is the less than car-load?

8158 A. In Missouri it is 8.69%.

Q. How is it in Wisconsin?

A. I mean the percentage of local. As to the percentage it is of inter-state, I can only give you in a general way that it is not far from 7% on all the business, state and interstate. I have not the inter-state separate from the state. The percentage of less than car-load business in Missouri is greater than it is in Wisconsin.

Q. And the percentage of less than car-load freight in Missouri is 8.69?

A. Yes, that is tons handled.

Q. Oh, yes, the volume of the business. Ton miles?

A. It is 5.48 of the ton miles in Missouri, and in Wisconsin it is 7.13%.

Q. Let us drop Wisconsin altogether. I am afraid we have got into some confusion about that. The actual number of tons handled in Missouri is 8.69% of the entire tonnage handled?

A. Yes.

Q. Reduced to a ton mile basis the less than car-load is what?

A. 5.48%.

Q. Indicating that the average haul on the less than car-load was not as great as the average haul on the car-load freight?

A. Yes.

8159 Q. How much of the local business in Missouri is less than car-load?

A. I have just given you that.

Q. I thought you meant with regard to the entire business in Missouri?

A. Yes, that is local.

Q. The two figures I have, 8.69 and 5.48 relate to the local less than car-load?

A. It is the percentage that the local less than carload is of the total local business.

Q. Now what is the percentage of less than car-load in inter-state: first in tons, and then in ton miles?

A. I cannot give you that. I haven't that figure with me, but it is about 7% in tons.

Q. 7% in tons: that would indicate there was more less than car-load freight in inter-state traffic than in local, wouldn't it?

A. No sir, it indicates there is more less than car-load freight in Missouri local than there is in the average of the entire system.

Q. But you have very much more inter-state freight than you have state freight?

A. Yes sir.

Q. The smaller percentage of less than car-load inter-state freight would still mean a greater volume than the less than car-load state freight, wouldn't it?

8160 A. Greater volume?

Q. Yes.

A. Oh, yes, the volume is greater of course, because the volume of business is greater.

Q. The percentage being computed on a——

A. Except this, Mr. Lehmann—I do not want to interrupt you, but I do not want to get away from this without stating another fact, which is very important: and that is that less than car-load inter-state freight can be handled at one-fifth the cost of less than car-load state freight; the reason for that being that the great bulk of the inter-state freight is a through movement, and the average loading of the car can be secured on the less than carload shipment. The trouble with the less than car-load local business is that it has got to go when it has got to go, and if there are about 700 pounds in a car, the car has to go with it.

Q. Have you any details on that?

A. Yes. We made a very extended investigation of that subject in the Minnesota merchandise case.

Q. The conditions are somewhat different there, aren't they?

A. Yes, and very materially different in this, that practically all of that investigation was a consideration of terminal tonnage, which has a great advantage over interior tonnage in this: for instance at Kansas City, we have less than car-load shipments that go in and out along the line. Now they are all bunched into one car, and

8161 that car starts out with a good tonnage. It does not peddle it out as it goes along, but has a good average, as it goes along. But it frequently happens that a man has something to ship out from a station along the line to another point along the line, and that has to go into a car by itself, which makes a very light load, and that is very expensive.

Q. Does that frequently happen?

A. Yes, it does.

Q. Is not the great volume of your less than car-load business out of large points like St. Louis, Kansas City, Springfield, and so on?

A. Yes, that is true.

Q. So the case you speak of is a relatively infrequent thing?

A. Oh, yes, I am speaking of it only as illustrative of the causes. But when you have a good load relatively, for a less than car-load car, you have an expensive proposition to handle. If on a terminal less than car-load shipment we can average 3,000 pounds to a car, it is a pretty high average.

Mr. HAGERMAN: As against what capacity of car?

A. As against 60,000 pounds capacity. Of course for this merchandise peddling car smaller cars are used, but that is the capacity the engine ought to be handling.

Mr. LEHMANN:

Q. How near do you run your engines to their capacity?

8162 A. On through engines we run them nearly to their capacity.

Q. Why can't you have exact figures on that?

A. You can, in just about a minute, Mr. Lehmann.

Q. I would like to have them.

At this point, the usual hour for adjournment having arrived, court adjourned until tomorrow, Wednesday, December 16, 1908, at nine o'clock a. m.

8163 KANSAS CITY, *Dec.* 16, 1908.

Met pursuant to adjournment as above, on Wednesday, December 16, 1908, at nine o'clock in the forenoon.

Present, parties as before.

The following proceedings were had:

Cross-examination of WILLIAM ELLIS continued.

By Mr. LEHMANN:

Q. The railroad companies keep a record of what they call "the performance of each train," do they not?

A. Generally speaking, yes. The performance sheet so-called, is not usually kept by trains. There is a performance sheet kept by engines—at least on the Chicago, Milwaukee & St. Paul road, and I think it is usual to keep one.

Q. They show how many cars the engines hauled, and how they were loaded?

A. No, sir, that performance sheet is reduced to the performance of the engine, and to the tons one mile, as a rule. But the data from which that is made up is data from which a record by trains can be made.

Q. Does not the conductor keep a record as to operation?

A. I am now speaking of conditions on the Chicago, Milwaukee & St. Paul railroad, but I think the conditions are general—he keeps a report showing the tonnage of his train, and that is carried into a general computation of the ton miles of performance of that engine.

8164 Q. His report shows how many cars he handled, where he got them and where he delivered them, does it not?

A. Yes, his train report would show that.

Q. And would show you what they were loaded?

A. No sir, not as a rule.

Q. Isn't there something to show what they were loaded with?

A. Yes, that is shown by the waybill of the car. There is waybill- for each car. That is an accounting department document, and goes through the different departments of the Accounting Department, and its identity as to the train itself is lost when it is turned in.

Q. Do not some of the Companies indicate the contents of the car itself, in the conductor's report or the train report?

A. Commodities, you mean?

Q. Yes?

A. I don't know. The practice of the different railroad companies differ in those details.

Q. You are not an operating man?

A. No sir.

Q. You are connected with your company simply in a legal capacity?

A. Hardly that. I can hardly say I am connected with it strictly in a legal capacity; my work has been always the preparation of this particular kind of cases to try. I have nothing to do with the general legal work of the Company, except as it is connected

8165 with this particular kind of litigation.

Q. But you represent them as counsel?

A. Before all the Commissions.

Q. Their train sheets show how the cars were loaded, do they not?

A. On the Chicago, Milwaukee & St. Paul?

Q. Generally, in the railroad service?

A. I cannot say as to that, Mr. Lehmann. There will be witnesses who can tell you more about that than I can.

Q. I wish you would look at this copy of what I suppose is a train report. That has columns for initials: Do you know what that signifies?

A. (After examining paper.) Yes, that appears to be for the initials of the car which they are reporting.

Q. That means the initials of the Company to which the car belongs?

A. Yes, sir.

Q. Then next is a column headed "Car numbers"?
A. Yes, sir.
Q. And there is one column that is for "Loaded," and another for "Empties," under that heading of "Car numbers," isn't there?
A. Yes, sir.
Q. Then there is another heading for "kind of car"?
A. Yes, sir, whether it is a box car, or a stock car, or what character of car it may be.
Q. Then another column for "car where taken"?
8166 A. That is where the car was taken into the train.
Q. That is indicated by the number of the station?
A. Yes sir.
Q. And "where left" indicates where the car is left, by number of the station?
A. Yes.
Q. Then under heading of "miles hauled" there is a sub-heading of "system cars" and that again is sub-divided into "loaded" and "empty"?
A. Yes sir, all car mileage is kept "loaded" and "empty."
Q. System cars means the cars that belong to your company?
A. Yes, I should say so.
Q. Then there is another sub-heading of "foreign cars" loaded and empty?
A. Yes. That is all for accounting purposes.
Q. Then there is a heading of "tonnage" with sub-heads under that of "gross weight" and "net weight" stated in tons?
A. Yes.
Q. That gives you the weight of the car as it is in the train, and also the weight of the merchandise in the car?
A. Yes.
Q. The difference between the net and the gross indicating weight of the car necessarily?
A. Yes.
8167 Q. Then there is a heading "billed to and from" indicating the bill of lading?
A. Indicating the way-bill. The bill of lading never comes into the hands of the train crew. They work with the way-bill.
Q. Then under the head of "remarks" there is a notation "merchandise, flour, Mty—I suppose that means empty?
A. Yes.
Q. Coal, and various things are indicated as to contents?
A. Yes.
Q. And on the back the engine number is given?
A. Yes.
Q. And the place I suppose from and to which it is run in its trip?
A. Yes.
Q. The time of leaving and the time of arrival?
A. Yes.
Q. And the number of hours worked?
A. Yes.

Q. Sheets of this kind would give you the performance of a train?

A. Such a sheet as that would, yes sir.

Q. And in connection with the way-bills, would give you every detail with respect to it?

A. Yes, but I think, Mr. Lehmann, as a matter of fact
8168 all these things, so far as they are needed for the purposes of a railroad, are compiled primarily from the conductors' report. But I think they are usually compiled in some form or other. Now on the Chicago, Milwaukee & St. Paul Railroad they are compiled in the performance of the engines per tons per mile or per tons one hundred miles, I think is the unit they use.

Q. In this report to which I have called your attention, I find under the head of "net tons" 211; and under the head of "gross weight" 742; that would indicate either light loading or a number of empties. As a matter of fact I see quite a number of empties on this sheet?

A. Yes.

Q. Isn't it true as a rule that your local freight trains are used to distribute the empty cars over the road as needed?

A. Necessarily, so where they are needed at interior points, because the local train does all the local business, but there is no great amount relatively of distribution of empty cars to local places for this reason. At almost every local point, under anything like ordinary conditions, there are as many empties made there as they are needed, and the usual rule is at the small places that more freight cars are made empty there than are needed there. So that these empties have to be taken to the terminals for loading, and the real service of the local train is more in taking empties out than
8169 in taking them in.

Q. That would depend upon conditions, necessarily?

A. I am saying that is the usual condition.

Q. Whatever distribution is done is done chiefly by the local train?

A. If it is from a local point, necessarily so.

Q. Anywhere, as a rule?

A. Oh no. For instance the principal distribution of empty cars that is made is of stock cars. There are more empty stock cars moved to some places for a load than of any other kind, and they are moved in through trains almost wholly. They are spotted out on local trains to the local points for loading, but we send a train after the through empty stock cars to be loaded back.

Q. To be distributed at different points?

A. No sir, running through from one division terminal to another. Of course when they get on that division they are distributed by the local train necessarily. But for instance when there is a movement of wheat, as there frequently is, there are train loads of empty cars moved over many divisions, in order to get that load. I should not say that the empty car movement is characteristic of local movements.

Q. What is that?

A. I should not say that the empty car movement is char-
8170 acteristic of the local traffic. The local train is not used for empty car movement except to distribute its own empties.

Q. Where the distribution is over a division, they use the local?

A. Necessarily. That is because it is local business.

Q. They do not do it necessarily; they could do it in the through train?

A. Then if they did it would not be a through train.

Q. They do it for purposes of convenience of the facility.

A. No sir, they do it because the local train is the only train that reaches the local point. You cannot make a distribution with the through train because the through train does not stop there.

Q. It reaches there as well as the local, doesn't it?

A. But if it does local work over the line, it ceases to be a through train.

Q. Isn't it a fact that you are facilitating the work of the through train all the time?

A. No, sir, on the contrary there is such a small amount of business which needs to be done, the total amount of the local business is so small, that every thing is loaded on to it that can be, and still, in spite of that, these trains run with a very, very light tonnage, and at a very high operating expense.

Q. You haven't answered my question at all. I asked you if it is not true that you actually discriminate, I will put it, in favor
8171 of the through freight; giving it the most efficient service and the speediest service you can organize?

A. My answer to that is that not only we do not, but exactly the contrary is the fact.

Q. Isn't it true to your knowledge, and hasn't it always been true that the railroad companies have discriminated in favor of through traffic in the matter of rates?

A. No sir, but on the contrary local traffic has always had a great deal lower rate in proportion to the service performed than the through service has ever had.

Q. Isn't it a fact that your big shipper, who ships over a long distance, from time out of mind, is the man who has been getting the rebates and the low rates?

A. I don't know anything about rebates. That was before my day.

Q. I am speaking of it now as a matter of rates. And don't you know that competitive conditions existing at these through points are such that the railroad companies have resorted to every possible means, including among others the reduction of rates to the lowest possible point, for the sake of getting the freight?

A. I don't know that, Mr. Lehmann, and I don't believe it is so.

Q. You know that nearly all the cases that have come into court on those questions show it, low rates, rates below what the general public could secure, have been given to the so-called big shippers, who shipped over long distances?

8172 A. I don't even know that, but I do know this—and it can be demonstrated to a mathematical certainty—that if

every ton which the Chicago, Milwaukee & St. Paul road handled had to be handled on a five mile rate of the Missouri Distance Tariff, which is the highest rate they make, that the road would go out of business. The local rates are the lowest in proportion to the service performed.

Q. That is the question in dispute here. Isn't it true that competitive conditions control rates more than anything else?

A. Unless the law steps in to make an arbitrary interference with the natural course of commerce, competitive conditions absolutely fix the rates. There was for a great number of years, Mr. Lehmann, speaking of competitive conditions when it was lawful to do so, a pool on business all through this country, between all the railroads, which eliminated any tendency to rebate or anything else. And in the face of that pool, which existed for fifteen or sixteen years, and with absolutely no competition, the rates still decreased. The tariff sheets show that.

Q. You say there was absolutely no competition?

A. There couldn't be. The business was pooled.

Q. Do you mean to say that people who go into pools keep their agreements with each other?

A. There never was a rate war in fifteen or sixteen years under that pool.

8173 Q. Do you know of any pool that was honestly kept?

A. That was.

Q. I doubt it.

Q. If it hadn't been there would have been a rate war in five minutes.

Q. The traffic department, that is the soliciting department, is maintained for the purpose of the through business, isn't it?

A. Of course it is, Mr. Lehmann. There is no necessity for soliciting local business, none whatever.

Q. Because it must go over your road?

A. Absolutely so. So if the soliciting department was not maintained to get through business, and give the road the volume of tonnage it gives it, the expense of doing the local business would be very, very much greater than it is. It is all reciprocal, it is all interwoven and intermingled.

Q. Have the railroads ever based their tariffs on the cost of service?

A. Of course they haven't, Mr. Lehmann; nobody knows what it cost. You not only don't know what it costs, but you can't tell what it is going to cost. For instance we may start a train load of cattle out of Dakota, and there may be a snow storm in Dakota, which will treble the cost of handling that train there, and then when you get to Iowa there may be a washout which will treble the cost of getting it in. Nobody can tell what it costs, or what it is going to cost.

8174 Q. How do they determine?

A. If I could answer that question I think it would be probably the most illuminating information I could give. I don't think anybody knows. The commerce of this country flows in

channels, exactly like a waterway system, and it works its way, and the railroad rates have to adjust themselves to that commerce, and they always have. If a man could find out what it costs for transportation, and then find out what is a reasonable return to exact, then rate making would be simply a matter of bookkeeping. But it takes an army of men, who do not know anything about the cost of transportation, but who have to inform themselves all the time, and expertly, about commerce, in order to keep that commerce moving. And whenever you lay a foot rule across the map of a state, and say "you must charge so much a ton per mile for hauling these different commodities" you simply throw away all that expert knowledge, and you do not know how you are going to come out.

Q. Then they pay no attention to the cost of the service?

A. No sir.

And the cost of the service does not enter in there for another reason. It is determined by the volume of business. The more business you have to haul the cheaper you can haul it and the less it costs to haul it. The whole cry of the operating department is for more tonnage and more tonnage; and the more tonnage the traffic department can give them the cheaper they can operate the road.

Now the money a railroad company makes is not made out
8175 of its rates, it is made out of the operation of the road.

Q. It is not made out of the rates?

A. No sir, nor can you fix its earnings by determining its rates.

Q. You have your past experience to go on?

A. The past experience of the operating department of a railroad is only partially available.

Q. You have your past experience as to the business that offers to be done?

A. What is that worth?

Q. I am not an expert.

A. Then I will explain why it is not worth much.

Q. I would like to have my question answered. You have that?

A. Yes, we have it. Now let me explain why it is not worth much.

Q. You have answered the question?

A. All right, I will explain it later.

Q. That experience runs from year to year, doesn't it?

A. Yes, experience always does.

Q. And there is a certain uniformity indicated by that?

A. No sir, and that is exactly the difficulty. There is no uniformity indicated by that.

Q. Iowa has been a cattle, corn and pork producing state from its earliest history to the present time, hasn't it?

A. Yes.

8176 Q. And the chief freight taken out of the state of Iowa has been live stock and corn, hasn't it?

A. Yes.

Q. And the market which has been reached by these Iowa products has been the Chicago market during all that time?

A. Usually.

Q. There are no great changes from year to year, except as the harvest may be more abundant one year than another?

A. Oh yes. A man may make up his kind that he will not go into the cattle business this year, and will go into hogs. Or maybe there will be a great shift in the kind of traffic there, and there may be a great shift in the traffic in corn. All these shifts of traffic make a great difference in the cost of operation.

Q. The wants of the people of the state of Iowa are essentially the same from year to year?

A. Not at all. You take such a year as last year, and it will make a tremendous variation in the amount of less-than-carload traffic handled in the state of Iowa.

Q. You refer to the depression in business?

A. Nobody knows when that is coming.

Q. The railroad business is not peculiar in that?

A. I understand that, and neither is it peculiar in not having any certain basis to figure on. It is the most uncertain business there is, because of the nature of the business.

8177 Q. The nature of the wants of the people they serve do not change, do they?

A. Yes sir.

Q. The nature of them?

A. Yes sir.

Q. Materially?

A. Yes sir.

Q. In what respect?

A. I will give you an illustration which will show you what I mean. You will find people habitually riding in sleeping cars today, that ten years ago never went into them.

Q. That is——

A. Never mind, I will look it up in a minute. You will find people eating in dining cars today that ten years ago never went into a dining car.

You will find that the needs of the people constantly develop in one direction, and that the influx of new people changes the nature of their needs.

There is actually a difference in communities, an actual difference in a period of five years in the stuff they use. It may not be material as to freight, but there is no fixed certainly about these things.

Q. Those changes are gradual, and you can anticipate them within pretty close bounds?

A. The change that came with the panic is not gradual, and you could not anticipate it. The gross earnings of the Chicago,

8178 Milwaukee & St. Paul railroad went back in two years more than they gained in eleven years, as I recall the figures, in the depression of 1893.

Q. In the depression of 1893, just as all business went back?

A. Yes sir.

Q. You are taking exceptional cases?

A. I say that depression wiped out the gain of 11 years as I recall it.

Q. It has been testified here that there is a constant increase in the amount of travel, and that increase is not very different, one year with another, except in panic years, Don't you find it is so, that there is a general increase in the amount of travel?

A. Yes sir, there has been more every year I have examined the figures.

Q. If a State is new, you know the increase will be greater, don't you?

A. Oh, yes, naturally.

Q. And if you have been doing a certain volume of business last year, and can fairly count upon a 15% increase in the volume of that business, haven't you a basis for reckoning your cost?

A. If you were operating a railroad, Mr. Lehmann, and reckoned on that basis, you would quit.

Q. I am perfectly willing to say I don't know anything
8179 about it.

A. I am not saying you don't, but I am simply saying that that is a principle you could not establish in railroad operation.

Q. You have that to reckon with, haven't you?

A. You know that might happen, but you also know, if you have had experience as a railway operating man, that maybe it wont, and it costs you a great deal more money, and so you don't prepare for it until it happens.

Q. The rates must finally be compensatory, or the railroads cannot live. That is true, isn't it.

A. I think so, that is self-evident.

Q. That you must reckon?

A. Now, just wait a minute. I didn't understand your question when you asked me "the rates must be compensatory" Do you mean the rate on which from Kansas City to Chicago must be enough to pay for hauling wheat from Kansas City to Chicago?

Q. If you mean to put now a case where in one transaction they may ignore the cost, and do the business at less than cost, it is obvious they can. But substantially their business must be done on rates above the cost of handling?

A. Yes, as a whole.

Q. In some way the cost element must come into the fixing of the rates?

A. It never has. The man who fixed the rate does not
8180 care, and he has never inquired; and if he did know it would not help him fix the rates.

Now let me put it this way: Suppose it were mathematically demonstrated that it costs 15 cents per 100 pounds to haul wheat from Kansas City to Chicago, on the Chicago, Milwaukee and St. Paul road, and that all the other roads charge ten cents. Now it is actually cheaper for the Chicago, Milwaukee & St. Paul to haul that wheat at ten cents, although it costs it 15 cents to haul it.

Q. You mean to say that if that is the specific cost imposed for hauling that wheat, it is better to haul it than not?

A. Yes sir, it makes money by hauling it.

Q. That is because the specific cost imposed by that wheat is not ten cents, isn't it?

A. No sir, it may be 15 cents.

Q. Perhaps you do not understand my question. I mean by "the specific cost imposed for hauling that wheat" the cost that is incurred by hauling it, and that would not be incurred if it were not hauled?

A. Yes, that is what I mean. You mean the movement cost?

Q. Yes.

A. Yes, I still say that the Milwaukee Road would probably lose money if it went out of that business.

Q. You mean it must do that business for the sake of the
8181 hereafter?

A. No sir, I mean it is cheaper for them to do that business for five cents less, than to sustain the loss if they did not have that volume of business.

Q. In other words, your expenses, such as maintenance of way, would exist anyway?

A. Yes.

Q. And the cost of that is due chiefly to elemental action?

A. No sir, it is due chiefly to the speed of the passenger trains.

Q. Maintenance of way?

A. Yes sir.

Q. Due chiefly to the operation of the trains over it?

A. Yes sir, due to the speed of the passenger trains chiefly.

Q. Isn't it due to the wear of the rails?

A. The wear of the rails is a very slight part of it.

Q. You mean the embankment is impaired, due to the speed of the passenger trains?

A. Very much so.

Q. More than by the action of the elements?

A. No sir, not more than by the action of the elements, but the embankment is a very small part of the proposition. I say the larger part of the maintenance of way account is properly chargeable to the speed of the passenger trains.

8182 Q. You have got the experience of the kind that I have indicated, and your company knows what it has cost after the year is over, and it has done the year's business?

A. As a whole, yes, but it does not know how much any part of the business has cost, however.

Q. It has its methods of apportionment?

A. Oh, yes. It estimates that certain amounts belong to certain things.

Q. And that a proper distribution of those charges would fix so much upon coal carried from one point to another?

A. No sir, there are no such figures ever made by any railroad that I know of. I never heard of them.

Q. Do you mean to say that the experience of the company as to cost of operation in the past is left entirely out of view in the fixing of rates?

A. Mr. Lehmann, I don't believe any man who ever fixed a freight rate ever paid any attention to what it cost. What good

would it do? Suppose it cost more than he got out of it, is he going out of business?

Q. How do they——

A. I am telling you how the rates can have nothing to do with the cost. Commerce controls that absolutely unless a State steps in and interferes with it. The only thing they can control is the operating expenses, and they make their money by controlling that.

8183 Q. There still must be a margin between the rate and the cost of the service, or there wouldn't be any profit?

A. If the road is successful.

Q. Most of the roads are successful?

A. Usually, yes.

Q. The railroad business in this country, throughout its entire history, has grown as rapidly and has been as remunerative as any other business in the country, hasn't it?

A. Oh, no. Oh my no. It has been the least remunerative business that people have put their money into.

Q. Is that the reason for continuing to build roads every year?

A. No sir, the reason for that is that there are a very large number of conservative people, a great number of them poor people, who have only a little money, and who would rather have something certain than take a chance, and with these people the railroad business is regarded as a certain business for a small return.

Q. There are no large profits made in the railroad business?

A. Not as compared with any other business I know of.

If a railroad made 15% on its value I think there would be a howl from one end of the country to the other. I know banks in small towns that make 30% on their capital. I know it is commonly understood that as far back as 1893 Siegel, Cooper & Co. made $1,000,000 on $1,000,000 capital, which I think figures out 100%.

8184 Q. If you are familiar with that how are the large fortunes made in the railroad business?

A. My familiarity with large fortunes is very slight.

Q. Don't you know as much about the large fortune- in railroads as about Siegel Cooper & Co?

A. No sir, I have never gone into the finances of a railroad Company. I doubt if any large fortunes have been made out of railroads as such. But I have never been concerned about how other people got their money. I have been very busy getting what little I could myself.

Q. The traffic man, you say, considers the movement of the traffic?

A. Entirely so. He makes a rate that will move the traffic.

Q. And he has got to make as low a rate as his neighbor does?

A. Yes, his neighbor very frequently fixes his rate for him.

Q. Or if he cannot give as low a rate he has got to compensate in the character of the service, hasn't he?

A. Why, no, if he cannot give as low a rate he goes out of business. Nobody pays a higher rate for passenger service that I know of. There is not any better service, if you carry it that far.

Q. They have such a thing as extra fare trains, haven't they?

A. There are a few extra fare trains run in the east, but
8185 the reason for that is that some lines are enough shorter than other lines that they can make a good deal faster time, and of course, if they carried the business at that rate the business would all go that way. Instead of their taking all the business some lines are differential between competitive points and charge a little less, and some other roads run slower to meet their time, and if they run fast trains they charge an extra fare on them to equalize conditions.

Q. Is that done to help out the other roads?

A. No sir, it is primarily done to help out the road itself. Because, especially at the rates they can get, no road can afford to precipitate a rate war. It means a slaughtering of revenue that it is very necessary for them to have. It is simply an adjustment of things to natural conditions, that is all.

Q. Your men going out for the business meet their competitors, and they have got to make the rate accordingly; they have got to meet the short line rate?

A. No sir, the rate is already made. It is fixed and published.

Q. But somebody fixed it, and somebody publishes it?

A. Oh, yes. I thought you were speaking of the fact of competition *on* it is practiced.

Q. Competition is the largest single factor in the fixing of the rates, isn't it?

A. The general structure of rates is adjusted practically
8186 entirely by competitive conditions.

Q. And that factor exists to any extent only in the through business?

A. Practically so, yes.

Q. Has not the natural tendency, therefore, of the rates on that business, been down to the lowest possible level?

A. That has been the tendency of all railroad rates, local and through.

Q. In local the pressure has been put on from another source, hasn't it?

A. The State of Wisconsin is a good illustration of that, Mr. Lehmann. The railroads in Wisconsin operated there for forty years without let or hindrance. They were absolutely uncontrolled by any direct control of law, and they adjusted their rates as they pleased, without any interference whatever; and if you will consult the United States census you will find that during that period, while Iowa was fixing its legal rates, Wisconsin outstripped Iowa in the dairy business, outstripped it in every manufacture, and in practically all lines of development prospered away in excess of Iowa. There you have an illustration, side by side, of a cast iron state regulated local tariff, in order to protect the local traffic from the rapacity of the railroads; and in Wisconsin a tariff made without any interference of law.

Q. Take the four years when the railroads were operating as they pleased, what was the passenger rate in Wisconsin?

8187 A. It was four cents part of the time and three cents part of the time; 2½ cents part of the time, and 2—well, no, prior to the enactment of the regulating law it was three cents.

Q. And it was a uniform rate throughout the state, regardless of the distance, 3 cents per mile?

A. Oh, no, it met the short line competition everywhere.

Q. It was a three cent rate regardless of distance?

A. Oh, yes, and when the state came to fix the rate, they fixed two cents without regard to distance.

Q. But what I wish to get at is that in the 40 years that the railroads were left free to do what they thought was right, they made no discrimination between state and inter-state travel?

A. None whatever.

Q. Have you tariff sheets in your company's archives for any part of the forty years when the railroad companies were free to do as they pleased?

A. Oh, I think they have any number of them. In fact 90% of the tariffs fixed by the railroad companies without any legal interference whatever are still in force. They have never been touched by the Railroad Commission. And many of those tariffs have been *past* on by the Commission, and determined to be just tariffs.

Q. Let me see if I understand you; Tariffs fixed before regulation began in Wisconsin are still in force, the same rates?

A. Oh yes, any number of them.

8188 Q. Important rates?

A. Oh yes, there have been very few rates interfered with. For instance I think I could recount practically all the rates the Wisconsin Commission—I might not be able to do it from memory accurately——

Q. Go ahead?

A. One of the first things they did was to take up the matter of coal rates. Away up in the northwestern part of the state there were some old coal tariffs in effect that had been put in years before in a part of the state where no coal has ever moved, and they had never been lined up with the others. And when the Commission went to work they lined those up. But no coal moved up there. In no part of the country where coal was moved has there been any change in the rates.

Q. There was practically no change in the coal rates?

A. Practically speaking none. They made a practical readjustment of the live-stock rate, making what amounts to perhaps a slight reduction; there is not a very material reduction that does apply to the traffic that moves. But they took a lot of rates that were out of line; rates made in some part of the state not properly adjusted to rates in another part of the state.

Q. That is, the coal situation you referred to just now practically represents that like-stock situation?

A. Except that in the live-stock they made some general reduction, but not very much. I recall that they made a reduction

8189 in the sugar beet tariff.

Q. Did they have any sugar beet tariff before railway regulation came into effect?

A. Yes. The real fact was that there was a tariff on sugar beets when the first started, and it ought to have been revised by the companies, and probably would have been except for some difference of opinion.

Q. That was revised?

A. Yes sir, that was revised.

Q. Anything else.

A. They made a reduction of the tariff on cheese.

Cheese is a good deal of an industry in Wisconsin. They reconstructed the concentration system which the railway companies had put in by applying it a little more broadly than it had been. And they made a very noticeable revision of the passenger rates.

Q. Dropping that for the present, have you about covered the freight changes that are material in any wise?

A. I should say that would cover the important revisions that they had made. Now they put in a milk and cream schedule. The railroad companies had carried milk and cream on the same schedule, and the commission divided it, making a little lower schedule for the milk, and a little higher schedule for the cream than the railway companies had in effect, the intention of the Commission, as they had expressed it in making it, being to raise the revenue on that commodity to increase it.

8190 Q. In the total of the two you mean?

A. Yes sir. To lighten the burden on milk and put it on cream.

Q. Distribute it as they thought more equitably?

A. Yes, but the intention was to raise the rate.

Q. During the period of 40 years prior to regulation, what was the relation between your tariffs on state and interstate traffic?

A. I think in the main they were just about what they are now. The inter-state tariffs have not been interfered with.

Q. And practically speaking there has been no reduction to any considerable extent in the freight rates, as the result of legal regulation in Wisconsin?

A. Oh, yes, I think there has been a substantial reduction, but more in the way of readjustments. Yes, I think the readjustments of rates there has resulted, generally speaking, in some reduction of revenue. Not very important, however, either to the companies or to the people. But it has resulted in this Mr. Lehmann: it has resulted in clearing up a good many misadjustments of rates that perhaps the railroad companies never could have adjusted.

Q. That ought to be adjusted, you mean?

A. Yes. I have followed the work of the Wisconsin Commission right through from the start, and I think the railroads have very little to complain of in the way of railroad regulation.

8191 Q. When did legal regulation begin in Wisconsin?

A. In 1905, I believe.

Q. Did they have regulation before that time?

A. Not that regulated.

Q. Didn't they have Granger laws in Wisconsin?

A. You mean back in 1873?

Q. Yes.

A. Oh, I am omitting that period, because the only things they did then were knocked out in the courts as promptly as they were done. That never really affected anything except the panic it produced or helped to produce.

Q. Didn't they fix maximum schedules?

A. Yes, and they were knocked out.

Q. And never revised?

A. No sir.

Q. So you were undisturbed, practically speaking?

A. Yes, that is the idea I get from reading the history of it. I think that is the fact.

Q. How did the rates in Wisconsin compare with the rates in Iowa?

A. That is a pretty hard comparison to make, because the conditions are different. When Senator La Follette was running for governor, he prepared a great many comparisons which showed that the rates in Iowa were very much larger than they were in Wisconsin, which was disquieting until they got into a railroad campaign in Iowa, and used the same tables to prove that the rates were
8192 a great deal lower in Iowa than they were in Wisconsin.

Q. I asked for your view as an expert. I do not care anything about Senator La Follette, or the political controversy—I am asking for the facts?

A. I am speaking of that because this has been purely a political controversy, purely so.

Q. I am out of politics.

A. So am I, and so is every railroad company.

Q. I asked for the fact as to how the railroad rates compared in the two states, and I do not see the pertinency of Mr. La Follette, or any one else engaged in politics as an answer to that question.

A. If the reference to Senator La Follette is offensive I will withdraw it. I was referring to a historical fact of which he is a historical part.

Q. I made an inquiry which was plain and direct as to the relation of rates in the states of Wisconsin and Iowa.

The COURT: Let me read what the United States Court of Appeals decided on the 16th day of November, just a month ago today, Judge Sanborn writing the opinion:

"It is the duty of examiners, masters, referees, and the Court, taking evidence in equity cases, to take the record and in case of appeal return to the reviewing court all the evidence offered by either party, that which they hold to be incompetent and immaterial, as well as that which they deem com —.

8193 Mr. LEHMANN: I think it is pertinent for me to show what the voluntary action of the railroad companies bearing upon these matters was, as indicating what a proper rule would be. I did not call for anything in regard to the political controversy in the two states.

The COURT: I am not emphasizing that, Mr. Lehmann.

Mr. ELLIS: I had no intention of bringing that question into the record.

The COURT: Go on.

A. At the time the enactment of this Wisconsin law was considered, I made as careful an analysis as I could of the whole business in Iowa and Wisconsin, for the purpose of arriving at what in the net result was the difference, if any, between the two states on their local rates. It was not possible at that time to make as thorough an investigation of it as would be required to get at exactly the facts; but the assumptions upon which the comparison was based were the same in both states, so they would show the relation even though the fact was not accurate. And the best conclusion we could arrive at, Mr. Lehmann, was that they were applied to the various kinds of traffic that moved, there was no substantial difference between the Wisconsin and the Iowa rates local.

Mr. LEHMANN:

Q. Then the voluntary action of the company in the one state was in conformity with the action to which it was compelled in the other?

A. No sir, for the reason that in the one state there was
8194 an elasticity to local conditions that did not exist in the other state.

Q. The rates themselves, you say, were substantially the same?

Q. I said the net result was substantially the same.

Q. I asked what the rates were?

A. Some rates were higher and some were lower.

Q. Take it on the average then, they were substantially the same?

A. Yes, on an average.

Q. Are the conditions in Wisconsin any different from those in Missouri as to the railroad business, and especially in their bearing upon the railroad between state and interstate?

Q. I do not think the condition as between the state and interstate are very different in any of the states. I think the distinction between state and inter-state rests upon the generic distinction between through and local, and that is the same everywhere.

Q. And for that very reason, that distinction that there is between local and through, aren't the conditions peculiar in Missouri in that a larger portion of the business done within the state is through business, owing to the fact that we have the two great centers, the two great distributing and producing centers, St. Louis and Kansas City, one on the eastern and the other on the western border of the state, with a large part of the railroad mileage of the state connecting the two cities?

8195 A. No sir, I think the parallel with Wisconsin is very close there, because it makes no difference about the cities, at the end it is through operating divisions. Now here are Milwaukee to La Crosse, and Milwaukee to Prairie du Chien. Then on the Chicago & Northwestern there is Milwaukee to Green Bay. I think in Wisconsin we have just as many complete freight operating divisions

within the state as you have in Missouri. Now if we have that will create the same conditions.

Q. Do you know that we have them?

A. Why I am not positive, but my judgment from the general character of the two states, and the general law of the railroad business would be, that you naturally would have. That is, I do not think there would be any substantial difference.

Q. What is the average loading of your loaded cars in state traffic: Take those on the Chicago, Milwaukee & St. Paul for any given recent period?

A. You mean in Missouri?

Q. Yes?

A. I can't give you that.

Q. What is the average loading of your cars on the Chicago, Milwaukee & St. Paul, those engaged in Inter-state Traffic, for any recent, given period?

A. I can't give you that

Q. What is the average loading of cars on the Chicago,
8196 Milwaukee & St. Paul, cars engaged in state traffic, and handling less-than-carload lots?

A. I can't tell you.

Q. Can you tell as to inter-state?

A. No sir, I can give you the average load for state and interstate.

Q. That does not discriminate. Would that help us to determine which carried the greater average load?

A. No sir.

Q. If you will please turn to your exhibits 11 and 28, both of them. Take train No. 1 on Exhibit 11: under the head of "local expenses" ought that be $379.80?

A. That may be, if you have computed it?

Q. And the total corrected accordingly $1754.00?

A. No sir, for the reason that the total expense is the figure which was divided, so that the total is correct. If there is any error in either of the others, it belongs in the other factor of the two. You see the total expense was arrived by multiplying the expense per day by the number of days, and it is possible that was merely a copying error in getting the exhibit ready. I will have the exhibit checked over thoroughly and ascertain.

Q. That is what I want to call your attention to. To get the exhibit right.

Now take Exhibit 28 and train No. 3?

8197 A. Yes, there is an error there in the through expense.

Q. In the through expense that should be $145.62, should it not.

A. Whatever is the difference between $1035.54 and $1181.00. $1181.00 is the figure that is correct.

Q. Take Northern Division No. 33: under through expense should not that be $143.00 instead of $113.46?

A. If that computes that way, yes.

Q. I think it will, just glancing at it.

A. Do you make it that?

Q. I am just glancing at it here.

A. I will have those trains recomputed. They will not affect the total result, because the total result is based on the total expense with which these are divided.

Q. On Exhibit 28 you have your expense per passenger mile local 5.86 mills?

A. Yes.

Q. How do you get that?

A. I got that by taking the local expense and the local passenger miles and dividing.

Q. Dividing the local expense by the local passenger miles?

A. Yes.

Q. And then you give the expense per passenger miles on through trains as 4.73 mills?

A. Yes.

8198 Q. You get that by dividing the through expense by the passenger miles?

A. Yes.

Q. And that gives you 4.73 mills?

A. Yes.

Q. Doesn't it strike you, looking at Exhibit 28, that the through expense shown by those trains is greater than the local, and as a matter of fact is not the local expense 5.86 mills, and the through expense 6.41 mills.

A. Have you a computation that shows that? I can not tell by just looking at it, Mr. Lehmann.

Q. Making the expense of the through business .55 mills more than the expense of the local business per passenger mile?

A. If those figures show that I will have them revised. If they show that, in copying that exhibit on the typewriter from the original exhibit, an error has been made because these figures 5.86 and 4.73 were made from the original sheet, which was cross-checked, and which was correct. I may have been led into this embarrassment by a typewriting blunder.

Q. Take all the trains indicated on exhibits 11 and 28, and leave out No. 1 on Exhibit 11, it will show a lower local cost per passenger mile than through cost per passenger mile, will it not?

8199 A. I think that will be true.

Q. So it depends very largely on the trains you select——

A. No sir, it depends on whether you have in your comparison a through train or not. Of course if you leave the through train out, you naturally get a higher cost. I endeavored there, and have presented all of the different elements in comparison. Now if you take one of the elements out, of course you change your comparison.

Q. In the local you have the local charged with the cost of the service cars, and the through train is not charged with the cost of the service cars?

A. If the cost of the service cars were added to the cost of the through train, it would not make any material difference in the result,—so the result of it is not material.

Q. I want the fact shown, that the local train is charged with the cost of the service cars, and that the through train is not?

A. I also want the fact emphasized that there is not enough in the service cars to make any great difference.

Redirect examination.

By Mr. HAGERMAN:

Q. As I understand the situation as to these tests in Wisconsin, there was one division of the road you left out, because it was not considered representative of the idea that you thought the Commission was trying to reach?

A. You are speaking of the Mineral Point Division?

8200 Q. Yes?

A. That division was excluded in the general exhibit in the Wisconsin case, but I did not take any examples from that division for this exhibit, because the conditions there are so extreme that it does not represent anything like approaching average conditions.

Q. If that had been included, the extreme feature of it would have been as against the state?

A. Oh, yes.

Q. Something was said about the omission of the chair car passengers: is that the same?

Q. Yes, the chair car passengers were left out because if we put the chair car mileage and the chair car passengers in, it would have affected the average passenger per coach, which we would have shown, and the Commission practically required us to leave those out of the computation, and we were desirous of doing so, because what we were after was the average load the passenger coach carries.

It happens in Wisconsin that we have to run a great many parlor cars that do not carry many passengers, and yet competitive conditions compel us to keep them on.

Q. If you had included them it would have been much more favorable to the showing for the through—that is lessened the interstate average?

A. Oh, yes, because on the through trains we get probably an average or more of an average load on the parlor car.

8201 On the local trains it would have made one more coach to divide to get the average, and would have added very few passengers.

Q. And if it had been included, it would have been that much more, as against the state's contention or theory?

A. Yes.

Q. And those tests that were made, that is the method of getting them, were practically agreed upon as between the railroad companies and the Commission?

A. Yes sir, we were in constant consultation with the Commission, in the preparation of the exhibit, and followed every suggestion they made, and they made many.

Q. There were some figures Mr. Lehmann asked you about last night, which you were to get. Have you those?

A. I think Mr. Lehmann asked me last night if I could be

specific as to the difference in load between the through and the local freight trains.

Q. What did you do on that?

A. I took a through freight train running between Coburg and Laredo, as follows:

October #69
October 31 # 69
November 1 65
November 1 61
November 1 63
November 1 Extra

The gross tons of those trains respectively were:

8202 1162
545
626
1123
876

Then I took a through freight train running from Laredo to Coburg, as follows:

November 1 First Section of 62
Second " 70
First " 70
Extra
October 31, #62

The gross tons of those trains respectively were

1287
1304
1059
1277
1034

Then here is train No. 96, which is the local train between Coburg and Laredo, as follows:

November 1
November 3
November 4
November 5
November 6

The gross tons of those trains respectively were

8203 350 tons
272 "
189 "
283 "
278 "

Next I took No. 95, which is the local train between Laredo and Coburg, as follows:

November 4
November 5
November 6
November 7
November 9

The gross tons of those trains respectively were:

405 tons
279 "
576 "
412 "
428 "

Mr. LADD: Is that for Wisconsin?
A. Those are both in Missouri.
Q. Coburg is right out here beyond Kansas City?
A. Yes, sir, it is the Kansas City end of the Chicago, Milwaukee & St. Paul.

Recross-examination.

By Mr. LEHMANN:

Q. As to the division of that tonnage as between state and interstate, you know nothing?
8204 A. No sir, that shows the relative tonnage between through and local trains.
Q. Mr. Ellis, will you send us one of the tariff sheets in force in Wisconsin between the rate regulations?
A. You mean whether they are in force now or not?
Q. Yes, whether they are in force now or not.
A. I will send it.

Mr. LADD:

Q. Do you know whether it is a fact that your company, before the rate laws went into effect, sold round trip tickets to Excelsior Springs for $1.00, and that the fare is 60 cents each way now?
A. I don't know. Some one referred to that yesterday, and I have no doubt that is so. There were many excursions, and there were competitive deviations from the three cent rate that the company could afford to make.
Q. If that is a fact you get more now from the passenger than you did then?
A. Yes sir.

8205 Mr. HAGERMAN: Yesterday we had some question about the form of the instrument representing what was called the Trust Certificate, which had taken up the Preferred Stock, as to the Kansas City, Ft. Scott and Memphis Road.

It seems that the Kansas City, Ft. Scott and Memphis road owned the stock; the property was then leased to the St. Louis and San Francisco Railroad, and that Road owns the stock, and has issued against the Preferred Stock, a Stock Trust Certificate, and there was some confusion amongst us as to what that was; so I asked Mr.

Douglas to have forwarded from St. Louis a copy of one of those Trust Certificates. We will now offer that in evidence.

The paper referred to, being Stock Trust Certificate, is marked Complainant's Exhibit 29.

Complainant's Exhibit 29 is in words and figures as follows to-wit:

8206 Mr. HAGERMAN: The Preferred Stock was acquired by the St. Louis & San Francisco Railroad Company, and they issued against the Preferred Stock, a Trust Certificate with a 4% dividend, with a proviso that whenever it was not paid they would have to surrender back to the holder the Preferred Stock.

I think Mr. Hamilton may have a memorandum of the entry on the book in regard to that.

Mr. HAMILTON: I found in the rental account a payment of 4% rental on the Kansas City, Ft. Scott & Memphis.

Mr. HAGERMAN: We can introduce in evidence all the leases and contracts if necessary, but it seems to me this covers the situation sufficiently to give the Court the facts about it.

8207 C. J. MCPHERSON a witness of lawful age, being duly produced, sworn and examined in behalf of the complainant, testified as follows:

Direct examination.

By Col. CLARDY:

Q. What is your full name?

A. Chester J. McPherson.

Q. What is your employment?

A. Ass't to the General Manager of the Missouri Pacific Railway Company.

Q. How long have you been connected with railroad service?

A. About 31 years.

Q. What positions have you held in railroad companies?

A. Beginning with telegraph operator I have held the position of station agent, telegraph operator, train dispatcher, yard master, chief clerk to the General Superintendent, Master of Transportation.

Q. On what road were you Master of Transportation?

A. Part of what is now the Pennsylvania Railroad, the Illinois Midland, running from Terre Haute to Peoria. It is now known as the Peoria Division of the Pennsylvania line.

Q. What other positions have you held?

A. Shall I repeat? Telegraph operator, station agent, train dispatcher, yard master, chief clerk to the General Superintendent, Master of Transportation, and my present position.

8208 Q. How long have you held the position of Assistant to the General Manager of the Missouri Pacific?

A. Nearly four years.

Q. Have you given any consideration to the question of the cost of operating a railroad now, as compared with the cost of operation some years ago?

A. That is a matter which has come directly under my observation.

Q. You have a statement there which we want to make an Exhibit. Will you please turn to it?

A. I have here a statement showing the increased cost in wages of various classes of labor since 1900, which includes the train crews and the skilled mechanics.

Q. How far back does it go?

A. To 1900.

Q. Have you extra copies to furnish counsel on the other side?

A. Yes sir.

Papers referred to are handed counsel for defendant.

Q. Just read that if you please?

A. This has been prepared on the basis of taking a full train crew in each class of service, and showing the wages paid in 1900 and the wages paid in 1908.

The full crew in the through freight service in 1900 was paid $13.32 for 100 miles of service.

Q. That included the conductor?

8209 A. Yes sir, the conductor, two brakemen, the engineer and the fireman.

Q. $13.32?

A. Yes sir.

Q. And in 1908 what were they paying?

A. In 1908 the full crew cost $16.64, an increase of 24.9%.

Q. That is the through freight service?

A. Yes sir, the through freight service.

The local or way freight service was paid based on a presumed performance of one hundred miles $16.64 in 1900, and $21.37 in 1908.

Q. That is to say in 1900 you paid $16.64 on the local as compared with $13.32 on the through. And then you had in 1908 $21.37 as compared with $16.64?

A. Yes sir.

Q. Note the difference between the local and the through; how do you account for that, that increase of wages?

A. The average scale of wages of a local crew, conductor, brakeman and the engine men, that is the engineer and fireman, are higher in the local service than in the through service.

Q. Why?

A. That is because of the service required to be performed being somewhat more arduous, and it is recognized by both the men and the company, that the compensation in the local service should be greater than in the through service.

8210 Q. They *they* get paid for 100 miles, when perhaps they do not run 100 miles?

A. The average run of local crews, the wages on the Missouri Pacific, the run is from 63 to 90 miles. The compensation, however, is based on the presumption that they will perform 100 miles.

The wages of the through freight crews are based on actual performance of 100 miles.

For example a through freight crew runs 100 miles to secure 100 miles pay, while a local or way freight crew may run, as in the cases I have cited, the 63 or 90 miles to secure 100 miles pay.

Q. Proceed now. You have been speaking of a way freight; now *that* the next?

A. I omitted to show the per cent of increase in local or way freight service in 1908 over 1900. This was 33.8%.

Q. Now proceed.

A. A full passenger train crew was paid in 1900 $10.76, for a day's work. In 1908 for the same service the Missouri Pacific Railway Company pays $13.96. That is an increase of 29.7%.

There has been a larger increase in the cost of operating the yards of the railway than in its train service.

Q. By that you mean to say as to labor?

A. All of the engine crews, the switching crews, consisting of five men, switchmen, engineers and firemen. The increase of
8211 cost in this service cannot be expressed in dollars and cents for the reason that there are two elements traveling apart in the service, in comparing 1908 with 1900. While the wages of the yard crew in 1900, was $12.10, it represented 12 hours work. In 1908 the same crew is paid $17.10, an increase of 41.3 per cent, but it is based on 10 hours work.

Q. As against what?

A. As against 12 hours. While there has been an increase of wages of 41.3% there has been a decrease of efficiency of 16.3%. Combining those factors, the real increase in yard work cost will approximate 70%. That is the increase of cost during the past 8 years.

Q. On the account of the increase of wages and the shorter hours?

A. Yes sir.

Q. Then what do you estimate the total increase to be?

A. I wish to add one more word in explanation of that. The increase in wages of firemen does not show the real increased cost in that branch of the service.

Q. Why not?

A. When the firemen's wages were increased at the Chicago conference in 1907, their efficiency was decreased by relieving them of the duty of wiping the engines, while running them, and other men must be employed to do that work.

I say their efficiency was decreased; I mean the efficiency of the dollar paid for the service of the firemen was decreased.

8212 Q. That Chicago agreement was made between the representatives of the trainmen, including the engine men, and the railroad companies?

A. Yes sir, all of the Brotherhoods connected with the train service successively met the Managers of the different railroads.

Q. Under that agreement, is not the efficiency, as you call it, of the engineers also affected? In other words, under the agreement are not hostlers employed to do labor formerly performed by the engineers?

A. So far as that is concerned, the Missouri Pacific Railway had a hostler service established before that conference. But it would have applied to the Missouri Pacific Railway in places where no arrangement of that kind had been made; but for the fact that by agreement extra time was allowed the engineer for putting his own engine away.

Q. You estimate the percentages of total increase of train men and yard men cost at what?

A. 30.5%.

Q. That is within the last eight years?

A. Yes sir.

Q. And the principal increase has been within what number of years?

A. The principal increase has been within—well, substantially five years.

Q. Turning now to the other side of the page of that ex-
8213 hibit, as I want to pass over these things as rapidly as we can, what does that show?

A. Since 1900 the increase of wages applies to skilled mechanics as well as all other classes of service.

Q. You mean blacksmiths, boiler makers, machinists, etc.?

A. Yes. In 1900 the blacksmiths received an average wage of $2.73 a day. In 1908 they were paid $3.38 per day, an increase of 33.8%.

Q. Do you know when that increase was made, or was it made from time to time?

A. There were two or three steps in reaching that increase.

The boiler makers in 1900 received $2.93 a day, and in 1908 $3.70 per day, an increase of 26.2%.

The machinists received $2.93 per day in 1900 and $3.70 per day in 1908, an increase of 26.2%.

The wages of the boiler makers and the machinists are substantially the same.

Q. On the wages of tinners and pipe fitters there is an increase of 23.1% shown here?

A. Tinners and pipe fitters were paid $2.59 in 1900, and $3.19 in 1908.

Q. There has been an increase in the pay of telegraphers?

A. I cannot go back to 1900 in that case.

Q. Since 1906?

A. Since 1906 there has been an increase of 13%. In addition to that there has been a reduction in the hours of
8214 labor for telegraphers. Three men are now required to perform the service that was performed formerly by two men. And while that does not apply in the aggregate of the pay rolls, in the number of men, perhaps, and the relation of the increase of 33⅓% it will be somewhere in that neighborhood and will ultimately attain it.

Q. That grows out of the enactment of the hours of service Act?

A. Yes sir.

Q. You mean the federal hours of service Act?

A. Yes, the federal hours of service Act, which became effective in March of this year.

Now in relation to our expenses generally, there were various increases made from November 1, 1906, to September 1, 1907, covering over 19,000 employés.

Q. Those were persons outside the employments you have hitherto referred to?

A. No sir, they are embraced in that.

Q. Altogether some 19,000?

A. Altogether 19,861 men. The increases made between the date, November 1, 1906, and the date November 1, 1908, approximates 10.6% of our entire labor pay roll.

Q. How much did that increase the labor pay roll?

A. $1,375,000.

Q. It increased the pay roll $1,375,000, and yet you have not the same number of employés: is that a fact?

8215 A. Well——

Q. We will cover that hereafter. Is this increase of $1,375,000 on the actual pay rolls?

A. That is taking the actual pay roll as it existed November 1, 1906, and comparing that pay roll with October, 1907, the beginning of the month after all the increases had been made.

Q. Then this $1,375,000 increase would have reference to an increase ascertained say on the first of October, 1907?

A. That increase was ascertained in this way: the relative rates of increased per cent of wages were applied to the employé appearing on the pay roll October 1, 1907. To express it in another way, had these advances in the wages of labor not been made, the pay rolls would have been $1,375,000 less in November and following.

Q. That is all you have to say about that, isn't it?

A. Yes sir.

The paper heretofore referred to by the witness is offered in evidence and is marked complainant's exhibit 30.

Complainant's Exhibit 30 is in words and figures following to-wit:

8216 Q. What would you say, Mr. McPherson, about the increased cost of material?

A. The increased cost of material has been a more serious matter with the railroad company since 1898, even in proportion to the expenditures for labor and material, than that of labor itself.

The COURT: What is that, I didn't catch that.

A. The increased cost of material has been greater.

Mr. CLARDY:

Q. We will not take up all these items as we have a statement to file as an exhibit, but what do you say as to the cost of ties? What does your statement show as to the increased cost of ties?

A. The cost of cross ties in 1902 was 38 cents each; that is, first class ties. In 1908 first class cross ties were 60 cents each. There is an increase in the cost of cross ties of 58%

Mr. HAGERMAN:

Q. In six years?
A. Yes sir, that is in six years.

Mr. CLARDY:

Q. Not take yellow pine lumber?
A. Yellow pine lumber, that is to say car siding, which was extensively used in the maintenance of equipment, the cost of that was $14.00 in 1902, and in 1908 we paid $22.00 for it, an increase of 15%.

Miscellaneous yellow pine lumber, which enters extensively into maintenance of equipment, increased in cost 44%.

8217 Q. Take bridge timber?
A. It has increased in cost 66.6%.
Q. During the six years?
A. Yes sir.
Q. Take track switches?
A. Track switches have increased in cost 34.3% and frogs 24.8 per cent.
Q. Take angle bars?
A. My comparison of the cost of angle bars, and other items I will mention later, is made up on the basis of 1898 and 1908 prices. That was prepared for another purpose, but as the labor in working up such information is considerable, I have used the information secured for that other purpose, to apply here. It covers a cycle of ten years.

The increase in the cost of angle bars and bolts is 53%.

Q. In other words, whereas it was $1.02 in 1898——
A. It was $1.60 in 1908. That is per hundred weight.
Q. Track bolts increased from $1.60 to what?
A. Track bolts increased from $1.60 to $2.45, an increase of 53%.

I am mentioning here items that are the largest in point of consumption in maintenance of track.

Q. Track nails?

A. Nails in 1898 were $1.25 per hundred weight, and in
8218 1908 were $2.05, an increase of 64%.

Q. And in piling, there was an increase of how such?
A. 60%.
Q. And bar iron?
A. Bar iron is the foundation of our iron work, practically. The increase in that is 75%.
Q. And white lead?
A. The increase in that was 26.5%.
Q. Do you use much of that and how do you use it?
A. We use that in paint.
Q. In tank steel the percentage of increase is how much?
A. In tank steel the increase is 71%. And on car axles 27%.
Q. What about the price of locomotives, as shown by your statement?
Q. The price of locomotives increased about 5% between 1902 and

1908. That may vary as those contracts during the period of 1905, 1906 and 1907 had to be made a year or more ahead in order to get locomotives at all—a year or more ahead at the time of delivery.

Q. There has been an increase, as shown by the statement, in the cost of box cars?

A. The increase in the cost of box cars in 1908 over 1902, as shown by our contract, was 18%. And on coal cars 10%.

I would like to point out one more item of increase.

8219 While the per cent is small, the application to its use is very large. That is in the fuel.

The COURT:

Q. Soft coal?

A. Yes sir, soft coal. In 1902 this coal cost us $1.407 per ton.

Q. Short or long ton?

A. Short ton. In 1908 it cost us $1.448, which is an increase of 2.8%; the Missouri Pacific system uses about 2,600,000 tons of coal per annum, and applying this percentage of increase means over $100,000.

Mr. HAGERMAN:

Q. For that one item?

A. Yes sir, for that one item.

Mr. CLARDY:

Q. Annually?

A. Yes sir.

Q. What economies, if any, have you instituted in the operation of the Missouri Pacific Railroad?

A. Do you mean as to applying general economies that have been the work of a number of years?

Q. Yes sir. I mean what economies have you instituted in the last few years if any, either by dispensing with the labor, or otherwise?

A. Well, generally speaking, the economies that the company has adopted within the last few years, have been to increase the efficiency in operation, of the train service, by reducing the grades and alignment; increasing the hauling capacity of its locomotives, and the tonnage capacity of its cars. This increase in the greater

8220 capacity of cars, and tractive power, has been practically 50% in our experience in the last few years.

However, by the reason of the increased cost of labor and the increase in the cost of material, the railroad companies have largely lost, have largely been robbed, if I may use the term in that sense——

Q. Deprived?

A. Yes, deprived, of the added efficiency that these economies were intended to secure.

Q. Has there been a reduction in the number of employés, and have you a statement there which shows just what it has been?

A. You mean within recent time?
Q. Yes?
A. Since October, 1907, or from October, 1907, to March, 1908, there was a reduction in the number of employés of 18,000 to 19,000 men.

The COURT:

Q. You mean 18,000 to 19,000 men let out?
A. Yes sir.
Q. On your system?
A. Yes sir.

Col. CLARDY:

Q. Out of how many?
Q. Out of about 37,000. In other words, the reduction in the number of men working was approximately one-half, and many of the balance were put on short time. Where men had worked eight hours, say in October, their hours of service were reduced to
8221 four or five hours per day, in some cases to 20 hours per week.
Q. And they were paid for the lesser time?
A. They were paid by the hour. Yes, for the lesser time.
Q. Is that the statement you have? I thought you had it in front of you?
A. I will give you the exact number of men.
Q. You have not a copy of that?
A. No, but I can give you the figures showing the total number of employés. I will have the statement made. These reductions were all made after the month of October.
Q. You don't mean after the month. You mean commencing about the 6th?
A. I don't mean after the month of October, especially. Let me see—I will be more definite on that point (after examining paper). It will be difficult to take the force report of the Company and show exactly when these reductions began, but they began about October. October, November, December, January, February and March were the heaviest reductions. It would not be possible for a railroad company to make any such wholesale reduction in its men at one time and still conduct its operations. The reduction had to be made gradually, as the effect of the previous reduction was ascertained. While a larger reduction should have been made immediately to correspond with decrease in earnings, it was impossible to do so without peril.
8222 Q. Without what?
A. Without peril.
Q. Have you that statement there, showing just when the reduction began, giving the number of men and the amount of compensation that was saved?
A. I have it in book form. I can prepare it as an exhibit later, if it is desired.

Mr. HAGERMAN:

Q. Can you refer us to the page and let us copy it?

Mr. CLARDY: There is very little of it.

A. The number of men employed in 1907, in October, was 37,414. The monthly wages——

Q. October, 1907?

A. 1907. The monthly wages were $2,280,277.
November 37,510 men; monthly wages $2,171,796.
December 32,115 men; monthly wages $1,850,110.
January, 1908, 27,767 men; monthly wages $1,650,078.
February 24,224 men; monthly wages $1,448,604.
March 20,420 men; monthly wages $1,274,808.
April 19,564 men; monthly wages $1,184,589.

These were the maximum and minimum men and wages for the fiscal year ending June 30, 1908.

Q. Have you that for May?

A. For the month of May the force was slightly increased. Total men 20,570 men; compensation $1,234,953.

This reduction in men extended to every department of the
8223 road. To every office, general offices and all. As I have stated before, the reduction of these men was gradual. The necessity for it existed at the moment, but it takes time to make inroads into an organization in the way of extensive reduction.

The COURT: You have not brought these figures since last May down?

A. Yes, I have the figures for July and August.

Q. Is June there?

A. Yes.

Q. What is the last you have?

A. August. In August 24,270 men, monthly wages $1,490,274.

Mr. CLARDY:

Q. What caused these reduced expenditures, the falling off of the Company's revenue?

A. The falling off of the Company's revenue, which forced the Company to suspend the improvements upon the property on which it was engaged, and to suspend consideration of other improvements thay it had partially determined upon, and it further forced the reduction, a large reduction, in the passenger train service.

And the purchase of material and supplies was confined to the most pressing current needs.

The COURT: Excuse me for asking questions, but what do you mean, reduction in passenger service?

A. I mean we took off trains. Where we had one, two, three, and four we would take off the fourth, possibly the
8224 third.

Mr. CLARDY:

Q. After ascertaining whether the train was a paying or non paying train?

A. Well of course the company would not take off a profitable train. These trains on the basis of three cent rate earnings would be profitable perhaps from the density of the particular train, but applying two cents as the rate of fare would make them unprofitable.

Q. Take the train, the train from Poplar Bluff to Cairo, do you remember there were two?

A. We had two trains, two passenger trains in each direction over that line prior to this reduction, and we took off one of these in each direction. We took off a train between here and St. Louis. We took off a train on the river district.

Q. Was that after an ascertainment of the revenue produced by these respective trains?

Q. The action in these cases was taken pretty promptly for the reason that they were within a narrow margin of paying expenses on the three cent basis, and the necessity for immediate economies was so great that we applied the obvious reduction in earnings that those trains would make to what they had been earning, and took the trains off.

Q. Would you say if the rate had been three cents, those trains would have yielded revenue that would have made it to the interest of the Company to run them?

8225 A. I presume they would if the conditions had continued that prevailed when the trains were scheduled.

Q. Do you know of any other economies that have been introduced within the last two years since the passage of the two cent rate bill, so far as the passenger service is concerned, or any action taken?

A. I have answered that in a pretty general way. Of course I could bring in a mass of detail showing how these retrenchments were effected, but they were covered generally under the head of discontinuance of passenger train service: in the suspension of all improvement work; in the rigid limitation of supply purchases, and in eliminating from the service every man who could be spared, every man whose daily presence was not absolutely necessary to maintain the service.

Q. And what has been done in the way of doing away with passes, trip passes?

A. Well, I can speak for my own office, and for the office of the General Manager, which is under my supervision. I believe we issued something like 8 or 9 passes during the year, not more than that. That is, I am speaking outside of employés and their families, these were railroad men traveling in search of employment, and such as that.

Q. In other words there has been an abandonment of the practice of issuing passes?

A. Yes, it has been abandoned so far as I know, and as it comes under my observation.

Q. These conditions which you say prevailed on the Missouri Pacific, in your opinion do they or not apply to the other

8226 roads involved in this controversy?

A. I would say it applied to other roads with equal force.

Q. Now, Mr. McPherson, do you want to say anything else on that question? I want to hurry on. These gentlemen are getting restless around me?

A. No, I believe that covers the ground.

Here recess was taken until 2 o'clock p. m.

After recess the following proceedings were had:

Direct examination continued as follows:

By Col. CLARDY:

Q. You wanted to make another observation, I think, Mr. McPherson, as to passenger trains taken off. Have you a list of them there?

A. Yes sir. Between December, 1907, and January, 1908, we took off two trains between St. Louis and Kansas City, that is, one train in each direction.

A train in each direction between Jefferson City and Kansas City.

A train in each direction between Tipton and Sedalia.

A train in each direction between Nevada and Coffeyville; that is, Nevada to the state line, it was an interstate train.

8227 A train in each direction between Carthage, Asbury and Joplin.

A train in each direction between Carthage and Purcell.

A train in each direction between Joplin and Granby.

Also a train in each direction between Nevada and Joplin.

This made a reduction in the annual passenger train mileage on the Missouri Pacific in Missouri of over 30,000 miles.

Q. Have any of these trains been restored?

A. I would have to look that up to answer. It may be that some of the branch trains have been restored.

Q. Mr. McPherson, have you considered the question of the difference, if there is a difference, in the cost of operating interstate and state trains, passenger and freight?

A. I have given that considerable study recently, and like most railroad men in the practical operation of railroads, there has been a definite view in my mind for a good many years.

Q. What is your opinion as to whether there is a difference, and whether it is for or against the state trains?

A. There is a greater use of the facilities of the railroad by state than interstate trains.

Q. Then you say there is a difference in cost?

A. That is in cost.

8228 Q. That is, it costs more to operate the state than the interstate trains?

A. It does, materially.

Q. Now can you give the elements of the extra cost?

A. In a general way those elements are the less efficiency of loco-

motives and cars in proportion to the traffic of each. The greater use of terminal facilities and other terminal cost generally.

The higher average rate of wages paid to the employés who operate the trains, and the fact that more employés are required on state freight trains than interstate.

Every railroad man forms his conclusions on some fundamental basis, and as a general proposition, he does this through the spectacles of tons and ton miles realized from the two classes of traffic. He may be unconscious that he is using that measurement, but in reality he is.

A practical man who watches his train operation sees that in his less than carload traffic he is securing only about 16% of the efficiency of the cars, and he immediately concludes that it costs a good deal more to handle that traffic because he is handling more cars and more cars for the proportion of tonnage than in car-load freight.

In watching the operation of his local stations, he is unconsciously in that case dealing with tons. The idea of tons may not enter his mind, but nevertheless tons is the foundation of his
8229 opinion. In watching the operation of his local trains, he sees that they carry less traffic on the average between their termini than the through trains, and he takes that into his conclusions of cost, and unconsciously he is measuring that through the spectacles of ton miles.

In determining the cost of state and interstate traffic, there is a third element that enters which is of great moment to many railroad companies, and that is the fact that there is a large portion of that traffic which makes no use whatever of a large part of the facilities furnished by the railway company for conducting its freight business.

Mr. LADD:

Q. You mean a large proportion of the interstate?

A. A large portion of the interstate business makes no use whatever of a large part of the facilities that the railway companies furnish for conducting their freight business.

Q. That is also true of what is called transstate traffic?

A. Yes, that is also true of what is called transstate traffic. If that were eliminated from consideration, then the factors that would be employed and applied to determining the relative cost of state and interstate business, would immediately change. The state business factor would increase, and the interstate factor would decrease. I am speaking now on a tonnage basis and of ton miles. Those in a general way are the elements of increased cost. There are others that perhaps could not be explained in a direct way, but every
8230 operating man knows them, and he bases all his conclusions on those facts, taken together. He may not be able to express it in dollars and cents, but his conclusion is as accurate and complete as a conclusion can be drawn by taking the multitude of elements that enter into a man's daily observation, from which a conclusion is reached on any question.

In my judgment the cost of handling state freight traffic is several times that of handling interstate traffic.

Mr. CLARDY: Did you say several times?

A. Several times.

Q. What are those facilities you have referred to not used in transstate traffic?

A. I could illustrate that better if I were permitted to take this up on the various elements or threads that run through the operation of a railroad, and consider their relative values in determining or reaching the truth as to the relative cost of state and interstate traffic.

Q. You mean to say in determining the basis that should be adopted?

A. In determining or perhaps eliminating the basis that should not be adopted, and comparing their value.

Q. Have you prepared a statement on that subject?

A. I have reduced my views in this matter partially to writing, but it involves notes and figures and exhibits I can hardly say that it is a written statement, but in making it I should like to read certain parts of it for the reason that I should like to give it the
8231 value of consideration that one could make in his office, rather than from memory with other matters before him.

Q. There will be no objection to that, I think?

Mr. LEHMANN:

Q. Have you a copy of your notes, Mr. McPherson, so I could follow you?

A. No, I have not a copy here. I have just drawn them off as I could from time to time. The exhibit figures that I will use here are already in the form of evidence in the case.

Mr. CLARDY: We do not want it in the form of argument, you know, Mr. McPherson, but we want your statement of fact?

Q. It was my intention to make an explanation, rather to bring the conditions and the facts to the theory.

Q. We will now proceed and see whether it is relevant or not. I am satisfied it is, because you have read it to me.

A. These threads that I mentioned that ran through the operation of a railroad are train miles, car miles, ton miles and revenue.

The train mileage thread can be followed in dividing the common expenses as between freight and passenger traffic, but must be discarded for the purpose of reaching a correct conclusion of the division between state and interstate traffic for various reasons. The train mileage represents trains handling both classes of traffic.

Q. That is, state and interstate?

A. State and interstate. And it furthermore may repre-
8232 sent empty cars which yield no revenue, and the use to which these cars may be put to, whether to state or interstate traffic, cannot be determined.

Then too in conditions where the traffic is not balanced in each direction, there is a large empty train mileage, a light train mileage, engines and cabooses, which it is necessary to move from one end of the division to the other to take a train or to return a train.

The car mileage as a determining basis in my judgment—I am giving my opinion—is as impracticable as a train mileage basis, and this for much the same reason I have given for discarding the train mileage.

While the car mileage is separated between loaded and empty cars, the ultimate purpose or use to which these cars will be put, whether into drawing an interstate load or a state load, cannot be determined. The average car-load of state business is lighter than the interstate. The relative proportion of the traffic of state and interstate, as applied to this point, would show that the state business secures a lighter load than the interstate, and should we employ the basis of car miles we would have this condition: that an empty car, a car with a few pounds of freight, and a car loaded to its full capacity, would be put on the same basis, while it is patent that there is a different expense involved in making each of these car miles.

Now the ton mile basis is more rational perhaps than
8233–8333 either the train mile or the car mile suggestion, but from the way the ton miles are made up this basis will not stand an application of the facts of operation to it in my judgment any better than the train or car mileage.

The ton mile basis must assume a good many things which no one will contend are reasonable or true. It must assume to make a truthful or correct basis for such divisions, that all commodities can be reduced to a common basis of transportation cost. It must also assume that the conditions on all railways in the state, and the conditions on every part of the same railway are the same. It must also assume that the long haul and the short haul of traffic can be accomplished at pro rata cost. Again it must assume that the efficiency of engines and cars in state and interstate traffic is equal. Furthermore it must be founded on the supposition or assumption that the wages paid to employés engaged in the train service in both classes of traffic are equal, and that the accomplishment of the mileage of those crews and those trains are equal.

There is a further, and to my mind most important assumption that the ton mile theory must make in order to be employed as a determining basis for the division of expenses and that is that each ton mile uses all the facilities of the railway that every other ton mile moved over the railway must use all the facilities that the railway company provides for the handling of its freight traffic.

These are the general underlying principles in my judg-
8334 ment that must be considered before the ton mile unit can be used for this purpose.

The first assumption that practically all commodities can be reduced to a common basis disregards the value, character and risk attached to the transportation, or whether the commodities are transported in car-loads or in less than car loads; whether the work of loading and unloading the cars must be performed by the employés of the railway company at the Railway Company's cost, or whether the loading and unloading is done by the owners of the property, the owners of the commodity at their cost. This is a very important element, because the handling, the loading and unloading of freight

by the employés of a railway company entails an enormous cost, and this extends to the general accounting features to the clerk in the freight office, to the checkers, the inspectors, the foreman truckmen, laborers and also to the general administration of the railway, because each item that it is necessary for the agent or his clerks to bill relatively represents as much in labor as the cost of billing a ful car-load of one item.

I would like to digress a moment: less than car-load freight does not necessarily mean that it is less than a car-load. Less than car-load freight may be a full car-load of merchandise consigned to various parties at one point, or various parties at a number of stations. The less than car-load freight is a package freight as distinguished from car-load or commodity.

8335 Q. There may be as many consignees as packages?

A. There may be as many as there are packages, and as many way-bills as there are packages.

I believe I can illustrate that by an actual test made at our freight house at St. Louis by Mr. T. P. Adams, our Agent at that point, in response to my telegram when I was in Kansas City in November of this year at this hearing.

This test consisted of taking five cars per day of L. C. L. freight for five consecutive days——

The COURT:

Q. L. C. L., you mean less than car-load?

A. Less than car-load, yes sir. As explained, for five consecutive days, these cars were loaded at the freight — at St. Louis, destined to Missouri Pacific points in Missouri: that is, Missouri points on the Missouri Pacific Railway, all local business.

On November 2nd, one car required the making of 29 way-bills; another car the making of 12 way-bills; a third car required 17 way-bills; a fourth car 9 way-bills, and the fifth car 15 way-bills. For these five cars 82 way-bills were necessary.

A way-bill is the manifest or description of the property and its destination or ownership, and states its weight and what charges are to be collected. These way-bills must also recapitulate every package of freight in the shipment; hence one way-bill may have one to an indefinite number of separate descriptions, and while 82

8336 way-bills were employed in billing these cars, and that was the distinction between separate stations or consignees, the entries required may have been many times that; they may have been as many times 82 as there were packages consigned to each consignee.

On November 3rd one car had 9 way-bills; one car 15; one car 13; one car 5; one car 9; a total of 51.

On November 4th one car had 17 way-bills; one car 8; one car 11; one car 9; one car 14; a total of 59 way-bills.

On November 5th one car had 14 way-bills; one car 13; two cars 19; one car 15; a total of 61 way bills.

On November 6th one car had 15 way-bills; one car 13; one car 14; another 12; another 10; a total of 64 way bills.

This made a total for these 25 cars of 317 way-bills.

Compare this with car-load shipments, say a car of molasses, or a car-load of sugar, or a car of lumber, coal, cement, which are consigned to one party as a general rule. The work falling upon the organization at St. Louis for these 25 cars was as 317 bears to 25; in other words, the billing entries that would have been made by the St. Louis station on car load shipments would have been 25 as against 317, for the less than car load freight.

Mr. CLARDY:

Q. 25 on the car-load?
A. 25 on the car-load as to 317 on the less car-loads.

8337 Mr. HAGERMAN:

Q. More than six to one?
A. More than six to one. I am using this illustration to fortify my statement, and to show the reason for my conclusion that the cost of handling this traffic is several times that of interstate traffic.

There was something more to be done at the St. Louis station than the mere billing of these cars. There was the abstracting of and accounting for 317 way bills as against 25. There was the handling of these various packages, receiving them at the door of the freight house, weighing them, checking them, trucking them into the car; a multitude of steps that must be taken in the procedure of safely handling this traffic, and doing it in an orderly and secure way.

As to the relation of the handling of the car-loads the steps that would be taken would be the weighing of the cars each, as a unit; the billing of the cars; the abstracting of the way bills and other necessary station accounting.

The possible switching of these two cars one for less than car load freight the other for car load freight would be equal. In the one case, the car at St. Louis that was loaded with this less than car-load freight, would be set in at the freight house, which would require a movement, and it would be taken from the freight house and put into the train, which would require another.

The same would be true of the car-load, but the experience of the Missouri Pacific, and I presume it is the experience of all other railroads, I don't see how it can be otherwise, is that com-
8338 pared in the matter of tonnage, that the car-load shipment may have 40 tons, or whatever the capacity of the car may be, and would require these two switching movements I speak of, while to secure the same equivalent of less car-load freight would require the switching movement of 8 cars.

In other words, the average load on the ton capacity basis of less than car-load freight will range from 2-½ to five tons to the car. This average is somewhat reduced by the fact that the railway company provides, in order to expedite the movement of its state traffic, to bring the merchant at Sedalia or Tipton within 12 or 14 hours of St. Louis in his purchases, that a fixed number of cars be set for loading for the convenience and benefit of the shipper, and in carrying out this practice the car for Sedalia or Tipton one day

may have five tons, one day may have three, and one day may have one.

In using the terms 2½ to 5, I might seek to express the extremes. I would not want to use a single ton. I have used 2½ to be fair. To be fair with myself, and to give this matter a test of the facts to the cost, or the cost to any determining theory, whatever it may be.

This first assumption again would bring the transportation of cattle, horses, mules, hogs and sheep to the same basis of consideration as coal, lumber, wheat or corn, and as I have just explained, it will put merchandise, 8 cars of merchandise on a parity with one car of through traffic, or one car-load. That is to say it would put the eight cars in the same unit of cost of transportation and
8339 operation generally, as one car of cement, brick, stone or sand.

The live-stock mentioned requires a special service. First, it is essential that live-stock have dispatch. It is like a passenger. It is alive; it must be cared for, or it will die. It requires attention in transit. It may require unloading and feeding at an intermediate point, because the law of humanity, and the laws of the country—but I am argumentative, excuse me—requires the railway company to give this stock this attention after it has been in the cars for a period of 28 hours. The character of the traffic therefore determines the care that must be observed in its movement, and the character and value also determines the risk that attaches to its transportation.

Q. What is the principal state traffic, less than car-load?

A. The relation of the state less than car-load traffic to all the state traffic is greater than the proportion of interstate less than car-load traffic to the total interstate traffic, in the ratio of about four to one on the ton mile basis of calculation.

Now take the question of character and value as affecting the risk the railroad company assumes in transporting its business which will develop in the railway company's operation through damage claims paid to the owners of the property, the amount that must be paid for the loss or damage in every case is determinable
8340 upon the value of the property damaged.

In the case of stock and perishable shipments, a railroad may pay for a character of damage that could not possibly occur to dead freight, a damage for delay and the loss that would arise therefrom.

Suppose we take the case of a train of miscellaneous freight which is wrecked. There is a casualty, and the damage to one car of merchandise in that train, that is the amount the company would be called upon to pay for the loss of the one car of merchandise, would be several times greater than the loss the company would pay on 12 or 15 or even 20 cars of coal with the same equivalent of tonnage loss as to partial or total, thus five per cent of the ton miles may bear 95% of the loss.

Should we apply the ton mile division of expense to this traffic, we would overlook all of these conditions, and the varying expense

of doing the work. In my judgment the ton mile plan would not be an equitable basis for making such a division, if for no other reasons.

The assumption that the same conditions exist on two different railroads, or even on two different divisions or sections of the same railroad, can hardly stand the test of an operating examination, a practical examination I mean. The topography of the country varies, and as this varies the cost will necessarily vary. This variation is represented in grade, in alignment, in the conditions as to swamps,

8341 as to water ways crossing it, the damages that can be done to the property, the physical property itself by the action of natural forces as the elements, floods, the greater rain fall, or the greater accumulation of water in the territory, which softens the track, and makes its maintenance more costly.

Then every division of the railway must have a permanent organization. It is like the army, you must have your captains and colonels and generals, they all go to form the organization, and they must be efficient, and to secure that efficiency they must be maintained regardless of the density of traffic, or regardless of the special conditions that may come from time to time, like, perhaps, the serious depression of business through which we are just passing. That is a duty in order to secure efficient operation that the railway company must perform, and it is a duty that must be performed whether density is 10,000 ton miles to the mile or 60,000 ton miles to the mile; that organization is fixed, and is fixed there just as much as the maintenance of track or your fixed train service.

These conditions I have mentioned may affect the cost of operation of one railway as compared with another, or of one division of a railway as compared with another, to the extent of 25%, 50% or even 75%. I do not know that I can give the range of difference exactly of the Mo. Pac. It will fairly approximate 50%.

Take the railroads of Missouri, of the Missouri Pacific; we have branch lines, we have main lines; and we have parallel lines from

Kansas City to Jefferson City.

8342 We have a line running down to Joplin. There are varying conditions. Treated as a whole or as a unit, in the State of Missouri the cost of operation if distributed on the ton mile basis must assume that the conditions on all portions of the property in Missouri are equal, and that no difference as a matter of fact exists.

In my judgment this would be important enough in itself to raise a very serious question as to whether the ton mile proposition would enable us to reach the truth we are seeking.

The third assumption is even more violent than the other two. That is that the long haul and the short haul can be made at an equal pro rata cost. This proposition does not take into consideration the element of terminal cost, and that is an item of great magnitude in the total expenses of railway operation. It is nearly as great a cost as the elements of maintenance of way and the maintenance of structures combined.

As an illustration of the ton mile operation, let me cite a case that perhaps has been cited heretofore, or is parallel. Take a car of

machinery moving from Columbus, Ohio, to Kansas City, destined to Pueblo, that is to say, the car is shipped from Columbus, Ohio, to Pueblo, Colorado. It moves over the Missouri Pacific 283 miles, and this car we will assume contains 40 tons.

Mr. CLARDY:

Q. You mean from St. Louis?

A. From St. Louis to Kansas City, 283 miles. We will
8343 assume that this car contains 80,000 pounds of freight; that is the maximum. It makes 11,320 ton miles; that is its representation in the total ton miles of the road in the state. Now on the ton mile theory of dividing the expense of operation this single car would bear the same expense as six movements or 48 cars would bear between the same points. That is to say it would bear the same relation in the expense of operation as 8 cars containing all other kinds of freight moving from St. Louis to Jefferson City; eight cars more of similar less than car-load freight, moving from Jefferson City to Tipton; and again 8 cars containing same tonnage, which moved from Tipton to Sedalia; again 8 cars moving from Sedalia to Pleasant Hill; again 8 cars containing the same tonnage moving from Sedalia to Independence; and another 8 cars moving from Independence to Kansas City, each car containing 5 tons.

These six movements would require instead of one car to secure 11320 miles, the employment of 48 cars, and these 48 cars would each have two terminal expenses. That is to say, that instead of handling one car as in the car of machinery, you would handle 96; you would load and bill 48 cars, and you would unload and collect the charges on 48, while this car of machinery would have no terminal charge.

Mr. HAGERMAN:

Q. The through car, you mean?

A. The through car that was a trans-state car, if it originated at
St. Louis and went to Pueblo it would have one terminal
8344 charge. Now this is an extreme comparison. I am comparing the average less than car load tonnage, giving it the benefit of the maximum 5 tons, with the maximum car-load shipment of 40 tons. I have illustrated this by a diagram, showing progressively the increase in terminal expense that would result in handling the equivalent in less than car-load freight of the one car of machinery with the average loading of less than car load freight by railroad companies generally. It has been my experience in the railways with which I have been connected, and there has been so little variation that I believe it may be taken as the experience generally of railway men, that 5 tons per car is a high average, loading of less than car load freight.

This diagram uses the term merchandise. I apply it to any class of less than car load freight.

The ton mile account is made up just in such a manner as I have illustrated; that is to say, tons are multiplied by the number of miles they move, and the result is ton miles. It would be entirely possible

on a railroad having 35 stations, on 250 miles of track, that items would enter in its ton mileage account of movement 4 miles, 10 or 20 miles. They must all be taken together to secure the aggregate, all brought together in the ton mile aggreate.

Now let me go a little further. If all the traffic the railroad company moved on a certain day between St. Louis and Kansas City was the one car of machinery and the 48 cars of merchandise
8345 then the division of the expense of operation for the day on the ton mile basis would be half and half. The single car with no terminal expense would bear the same proportion of cost as 48 cars, with 96 terminal expenses.

This question of terminal expense should be determined by the number of times that the terminals are used. If the average haul of interstate freight on the railway is 150 miles, and the average of state freight is 50 miles, on the general proposition that every state shipment must have two terminal expenses, it would follow that the length of haul should be considered, and that these two terminal expenses would be multiplied until the state haul had reached the average of the interstate haul in length; thus 50 miles average of state haul would have two terminals; to accomplish another 50 miles would require two more; and any fraction above that would require two in addition. So that because the state traffic requires two terminals it does not necessarily mean that the relation or ratio of the terminal use as between the two classes of traffic is as two to one. It will be whatever relation that arises from the multiple, or is reached from the multiple.

The freight business of the Missouri Pacific and all other railways is really made up in its relation to operating expenses, of three distinct classes, rather than two. There is the state traffic, which we know originates and terminates in the state. The interstate traffic, which may have its origin or destination in the state, and the trans-state traffic which merely passes through the state
8346 having its origin in another state and its destination in a state beyond.

I make this explanation because I have just used the term trans-state traffic, and it will be necessary for me to use it again in bringing it in as a factor in the relative cost of operation as between state and interstate traffic. There is an exhibit filed in this case, #19, I believe it is filed by the State.

Q. In the Missouri Pacific case?

A. In the Missouri Pacific case. This exhibit was filed by the state. I believe they took those figures from our books and that exhibit shows that the average interstate haul on the Missouri Pacific Railway was 105 miles, while the average state haul is 52 miles. Now applying this to the terminal cost, or use of terminals, it follows that if each state shipment is chargeable with two terminals, in order to achieve the same distance, as the interstate average haul the state business would be chargeable with six. This is using the one mile additional in the average, and you might think that it is using the one mile additional in the average unfairly. It must be understood however that this means not merely 105 and 52, but

it means averages of things of importance, where every fraction means dollars, and a great many of them. The 52 miles of state traffic requires two terminal charges. Another 52 requires two terminal charges. Now I have reached 104. This leaves a
8347 fraction of the average of all interstate shipments. This, mind you, is the average haul on all business, and this necessarily requires two terminals, making six.

Mr. LADD:

Q. You charge that extra mile, and twice 52 is 104, instead of 105, and you charge that other mile with two terminals.

A. Yes sir; that does not mean another mile, it means another average ton mile of the traffic of the road, which deals in millions.

The ton mile basis of dividing the expense, therefore, would not take into consideration this factor of terminal expenses, which *is* as I said before, on the Missouri Pacific nearly equals in amount the maintenance of way and structures and the maintenance of equipment combined.

For the reason I have given in those three illustrations of one, two and three, the railway companies themselves have ceased to consider the ton mile basis of cost, as of any particular value, except as testing efficiency, and this test is applied not from one thing to another, but one division with another, but that division with itself progressively, not even from month to month, but the corresponding month of the year, when the conditions are presumably the same.

Mr. HAGERMAN:

Q. That is, it is a test upon the same division for the same period of time?

8348 A. Yes, the same period of time, the same months, when conditions are the same. A winter month as against a winter month; warm weather as against warm weather, not a winter month with a summer month or cold weather with warm weather. It is testing the man, testing the efficiency of the man operating the division, and the service performed by the employés.

The ton mile theory, as I said in the beginning, must assume that the efficiency of engines and cars in all classes of service is alike. That is another assumption of the ton mile theory that practical experience will not justify.

The broad distinction between the transportation conditions governing the local traffic and the through traffic, is this, that the train movement of the through traffic is regulated by the traffic that is to be moved. In other words in through traffic only a sufficient number of trains will be run to move that traffic under ordinary conditions, and the potentiality of the power used in moving that traffic will under ordinary conditions be substantially realized.

The number of trains on the contrary in local traffic, in local service, is an established fact. It is a part of the general establishment of the railway. It is a part of what we call a fixed charge of operation we cannot escape; that is, we know it is certain. We can always figure that we have got to stand it.

Mr. CLARDY:

Q. It moves regardless of the tonnage?

A. Yes, these local trains must be moved regardless of the
8349 tonnage. If it has but one car, the train must move, or if it has a half dozen, or any number less than its potentiality, as determined by the officials of the railway, as an index of the efficiency to be expected from that engine.

As a result of this general distinction, through traffic and trans-state traffic, and in some cases car load state traffic, is moved efficiently; that is to say, the potentiality of men and power in through trains is reached, while in local service it is never the case. This condition cannot be imagined on a railway. In years of experience, I have never seen the conditions exist, where the potentiality of the power could be realized in local traffic.

To begin with, the character of the service performed puts the natural rating in relation to the tractive power of that engine below the rating of the tractive power that would be assumed as potential of the engine in through traffic. This is necessary because the local trains must do all the switching and the station work; they are traveling switch trains, they may spend as much time on their division, or nearly so, in switching or unloading freight, as they consume in running between termini. For that reason the engines are given a less tonnage to haul in the beginning to enable them to get over the road quickly. Being required to do all of the station work, they must of necessity put their train into the side track to clear the main track, and avoid delaying the other trains.

There is a further loss of efficiency, even though the locomotive should start from its originating point with its full poten-
8350 tial rating, and this loss is gradual as the train progresses, for two reasons: the train sets out its carload freight at its various destination-, *on* the district and no car-load freight would naturally be put into these trains, that was not destined to some intermediate station, and the unloading of the package freight from the less than car load cars would continually diminish the pounds of freight in each of these peddler or way cars, as the train progresses. These local stations do not load as much package freight as they receive. The inbound business is the greater. So that in unloading these packages from these cars there is no compensation in further loading.

It may possibly transpire that in going into its objective terminal the local freight train will have some where near its potentiality in tonnage. It may not. However, if it has, the movement has been but a short distance, the average result which I have stated before the practical operating man will unconsciously reduce in his mind to ton miles, will be a large loss, probably not less than 50% of the potentiality of that service.

The locomotives employed in drawing these trains require heavier repairs that the locomotives employed in through train service. The operating accounts of a railroad are not kept so we can classify that,
but every operating man from his experience assumes this
8351 as one of the elements in reaching a conclusion as to the relative cost.

There is a way that may be used, however, in illustration of this, that will show that as it occurs to me. From the experience of my years, the railway companies assign a certain maximum of engine miles to be accomplished by locomotives, from the time the locomotive comes out of the shop until it again goes into the shop for general repairs. That is, a certain number of miles are expected from that locomotive between these periods. This expectation is higher in road service than it is in switching service. It will range in road freight service from 60,000 to 75,000 miles. In switching service the maximum is 50,000 miles; the average about 40,000 miles. Now the reason is this: the switch engine is constantly in motion; not a regular motion; not a straight motion with the momentum aiding it in the service, but it is in irregular motion and movements back and forth over switches and around sharp curves. The result is the strain is greater; the wear on tires, and the wear on every part of the machinery is greater than to the engine operating in through service.

These local trains are switching trains; that is to say, they do the same things that the switch engines do, and they do the same things that the through engines do. They do the switching at the stations, and they make the runs between the stations. A large portion of their time is consumed in this switching service, and it must obviously follow to the mind of the observing man, who
8352 is observing his expenses, that the cost of the maintenance of that engine must be greater than the cost of the maintenance of the engines in through service, and it is a fair conclusion, one that occurs to my mind, and I presume every railway man who looks around for measures of the conditions, that this would be the measure. I have heard the expression made by many other men in talking about their local service, that the engines in their local service cave in earlier than the others do.

My conclusions in this are based on what experience has taught me that the efficiency we secure from the locomotive in local service in its hauling power is less; the dollars expended in its maintenance are more.

These two conditions bring the greater power of maintenance of locomotives engaged in local state traffic somewhere in my judgment between 25% and 50%.

There is another element that enters into this consideration, or aids me in reaching my conclusion, and that is the fact that the miles that the local crews are required to run are less than the miles of the through crews, ranging from 63 to 90, in local service, as against 100 miles in through service. We have two trains that differ from that; they are longer and the men are paid for all excess beyond 100 miles. I am talking now of general local trains. The local crews are paid for 100 miles; that is the basis, but the traffic is moved only 63 to 90 miles, instead of 100 miles. There is not, therefore, the same average efficiency of engines. Putting them in the average performance of engines, without any other con-
8353 siderations, the average mileage will be less than the average mileage of the through trains.

The loss of car efficiency we can get at a little more clearly and definitely. The average tonnage capacity of the freight cars on the Missouri Pacific Railway is 31.3 tons, the tonnage of merchandise or freight house loading ranges from 2½ to 5 tons, while the average loading of all cars on the Missouri Pacific system in the fiscal year 1907 was 17½ tons. Taking all of its loaded cars into consideration they averaged 17½ tons. The less than car-load business, therefore, reaches only 16% of the tonnage capacity of the car, and reaches only 28½% of the average loading of all cars.

This loss in car efficiency may be better expressed perhaps by saying that six cars are required in this less than car load business to perform the same service as a car loaded to its full capacity; and taking the average loading of all cars 17½ tons, four cars substantially to one would be required.

Exhibit 19 that I referred to a moment ago, the ton miles proportion of state less than car-load traffic, is 15%, while the percentage of less than car load interstate traffic was given as 4%. Hence the proportionate loss of car efficiency is four times greater than the state traffic of this character than in the interstate traffic. In other words 15% of the state traffic on the average loading requires four cars for one, as against 4% of the interstate traffic requiring four cars to one to perform its ton mile proportion.

8354 This loss of car efficiency means also that the railway company is required to keep in order four cars in this class of traffic, where it keeps in order but one car for its average traffic. The maintenance cost is, therefore, as much affected, and as directly affected, as the transportation cost, just as it is with locomotives.

There is a further loss of car efficiency in this: that those local cars going over the road from one district to another in day-light only, perform less average miles per day, than the cars that move day and night in through trains. That loss is considerable. It cannot be expressed in figures, nevertheless to my mind it has been a factor in establishing the greater cost of handling state traffic over interstate.

With branch lines where the greater portion of the year, that portion of the year that is not the crop moving portion, I speak now of branches where the natural resources of timber are exhausted, and where there are no continuing sources of minerals, the loss of efficiency is very much greater; even on those lines where mixed service is performed, that is trains handling freight and passenger business combined, all the business of the week, seven days, may possible be performed, where 14 trains are run over such a branch, one each direction daily if it were held and moved in two round trips instead of seven.

8355 These are further factors that have impressed and aided me in reaching my conclusions. These were not suggested by any reasoning, but from actual observation, as I have seen the work done. I have seen the trains moving over the road with three, four or five cars, where the average even in the heavy month of November, three of our branch lines in Missouri did not exceed on one branch 4.3% of loaded cars per train; on another 11.5% loaded cars per train, and still another 5.6% loaded cars per train.

My fifth reason has already been set forth here to a certain extent in my figures submitted as an exhibit this morning, that is the greater rate of pay of local crews than our through crews.

There is another entering element, however, that is this: that loaded trains from the very nature of their work, having to do all their business on the district during the day, make — over time than through trains. The ratio of their failure to accomplish their trip within their schedule of ten hours is greater than the failure of through trains to do so and failure of either in the accomplishment of trips within ten hours entails a payment of over time by the company.

This over-time is paid to — per hour at the established rate per one hundred miles. The rate per hundred miles is divided into ten fractions. One fraction is added to that through rate for each hour that the train consumes beyond ten hours. The ratio there-
8356 fore for over time is greater in local than through trains and the rate is also higher.

One of the most important elements that has led me to my conclusion that the cost of handling state traffic is several times that of interstate in the use of facilities and which the ton mile theory fails to take into consideration, a very important matter.

The ton mile theory assumes that each ton mile uses all the facilities of the railway used by every other ton mile, and that every ton mile uses all the facilities provided by the railway company for conducting its freight business. Trans-state shipments necessarily do not make use of a great part of the facilities that the railway company provides. This traffic cannot by the greatest stretch of the imagination make any use whatever of facilities that are not incident to straightaway operation. The trans-state traffic makes use of the main track and of the passing tracks; of such standing tracks at terminals as are necessary to be occupied while the crews are changing and the engines and cabooses were being attached. It makes use of such portions of the station buildings as are devoted to the use of the telegraph operators only, and such use of the buildings as are devoted to general administration, where the supervision is conducted and a proportionate use of store-houses, where train supplies are kept.

But the trans-state traffic cannot make any use of any of
8357 the main tracks of the branch lines of the railway, and as the Bagnelle on the Missouri Pacific, 45.4 miles, the Warsaw branch 43.23 miles; the Booneville branch 43.95 miles; the Lexington branch, 57.1 miles; Creve Cœur branch 11.99 mills; the Glencoe branch 4 miles; the Vulcan Street Spur .11 miles; the Blackwater Branch 3 miles; the Marshall spur 2.48 miles; the Granby branch 20.93; the Oronogo branch 3.36 miles; the Joplin & Western 4.59 miles.

Those branch lines aggregate 239.59, or 24.7% of the main track mileage of the Missouri Pacific in the State of Missouri. This trans-state traffic could make no use of this main track mileage, nor of any of the facilities provided by the railway company on its branches for conducting its freight business. Nor can trans-state traffic make

any use on the principle lines of the railway of tracks to industries; that is, where cars are loaded and unloaded; at mills, warehouses, coal, lumber and other storage yards, factories and other enterprises. Nor of team or public tracks where car-load freight is loaded and unloaded. Nor of house tracks where merchandise is loaded and unloaded at freight houses. Nor of connecting tracks with intersecting and connecting railways. Nor storage tracks provided for standing cars awaiting loading. Nor for the storage of empty cars awaiting traffic demand. Nor the use of stockyards, nor the tracks leading to the stock-yards. Nor of the freight houses and other structures that are not incident to straight-away movement.

8358 Trans-state traffic could make no use of the station or yard organization, with the exception perhaps of yard clerks that recorded the number of the cars passing through; of the callers who call the men to man the train. There may be some other minor uses that could be made which do not occur to me just now.

The item of station labor and yard organization is represented in the expense of operation as 25.9%; that is, the total expense of operation as taken from the freight operating expenses of the Missouri Pacific Railway in the State of Missouri during the six months ending December 31st, 1907. Exhibit 19 filed by the State in the Missouri freight rate case shows that the division of traffic as between state and interstate is 13.98 of the former, and 86.02% of the latter. Exhibit 20, also filed by the state in the same case shows that more than 37% of the total ton miles of the railroad consists of trans-state business.

On these conditions it seems to me manifestly unfair that 37% of the freight traffic of the Missouri Pacific Railway Company should be charged with its relative tonnage proportion of taxes, maintenance expenses, and operating expenses on facilities which it has not used, and the wages of men whose services it did not and could not require.

Something over one-third, therefore, of the total ton miles of the Missouri Pacific in Missouri does not use all of the facilities

8359 that are used by the other 63%, and this if eliminated from these facilities would immediately change the relations of the expense of traffic that did use these facilities, as between state and interstate. These relations would cease to be 13.98% and 86.02%, and would be an entirely different matter. Obviously the ratio of state use would be greater than as shown in this exhibit.

The ton mile theory, therefore, of dividing expenses would put the division of expenses of the Missouri Pacific Railway in this position (which to my mind cannot be justified) that these branch lines forming 239 miles, or substantially 25% of the road——

The COURT:

Q. In Missouri?

A. In Missouri—would bear a portion of the expense of the trans-state traffic. There might be one hundred branches instead of a dozen, and every branch added would be charged with a part of the trans-state traffic.

On the ton mile basis the taxes of the Missouri Pacific in Missouri would be apportioned on a basis of 13.98 to 86.02, and that would embrace all the taxes charged on the branch lines of the road, and this division would embrace also the maintenance of all the main tracks of branch lines and the side tracks and other tracks, and all the structures of the principle main lines also.

The taxes and maintenance would have to be distributed on the basis that all the facilities of the line and all the lines are used by the trans-state traffic. In other words, the state traffic would bear a lesser part of the taxes and maintenance because trans-state traffic is charged with facilities it does not need or use.

8360 This brings about a perplexing condition. I have never been able to reconcile in my own mind any way of changing percents to accommodate this situation, and place it on a ton mile basis, with any degree of justice. We have known operating conditions, stubborn facts, that 37% of the traffic does not use 25% of the entire railway company's mileage in Missouri. That 37% of the entire freight traffic of the Missouri Pacific does not use any of the incident facilities for conducting the business of the state. It has no interest in the state; it is a stranger; it merely passes through the state.

Not a facility required to do the local business in the state, or any state business in which the citizen of Missouri may be interested in one way or another, is applicable to that traffic. It does not use it, and it cannot use it in any measure.

The facts as I know them and which I have tried to explain brings me to conclude in my own mind the destruction of the ton mile theory for this purpose, and it leaves for consideration, good or bad, the only other thread that runs through the railway operation; that is the revenue.

There is this to be said about the revenue basis, that it does determine the relations, the money returns as between state and interstate traffic, that much can definitely be established, ex-

8361 cept so far perhaps as the miscellaneous earnings are concerned. I would like to take a few minutes and give my views on the revenue basis.

The primary division between freight and passenger earnings can be exactly obtained. The secondary division as between state and interstate, freight and passenger earnings, can also be exactly obtained. To the railway company, of course these are the elements in which we are most interested. We have at least the element of definiteness in considering this question on the basis of revenue. We know that our books will show these divisions on the basis of revenue. That can be determined because it is made a matter of record. It possesses none of the intangibilities of all the other threads that impress the practical man when he seeks to reach the truth by following those threads to their sources.

The COURT: I don't think you need to amplify upon that. I guess every body concedes that the earnings are known to a mathematical certainty. I guess every body concedes that.

Q. Now there is a certain equalization on the revenue basis that cannot be reached on any other basis that I know any thing about, from the fact that certain classes of traffic require greater attention and greater special facilities, both physical and of organization, than other classes of traffic; their expenses of transportation are naturally greater. It is fair to assume that the rates charged for transportation of this traffic had this special service in contemplation,
8362 as is borne out by the exhibits filed in this case. I believe it is in exhibit 19 it is shown that 13.98% of the ton miles earned practically 25% of the revenue of the state business.

I am not a rate man, I know nothing about that. I merely mention this incidentally, as it strikes me from the exhibit. And it must show that certain classes of traffic earn more in proportion to ton miles than other classes of traffic, and to the extent of eliminating inequalities of the cost of service in the various characters of service, and various character of commodities, the revenue basis appeals to me as more accurate, and would nearer reach the truth than any of the others suggested.

There is a difference in the cost of handling less than car-load traffic, state and interstate. That class of traffic will cost more in average state operation than interstate, because of the known fact that much of the interstate traffic moves in through trains, and for long distances.

Mr. LADD:

Q. You are speaking now particularly of less than car-load, are you?

A. Less than car-load. In consequence of which some of the incidental elements of loss of efficiency do not occur. For example: in the question of time, the L. C. L. interstate traffic would move day and night, as moving in through trains, as against the L. C. L. traffic of state, moving in local trains.
8363 Again there is a question of reworking these less than car-load cars. In the state business when the car gets down to a small quantity of freight it is set to the house; it may stay there over night, and some more freight may be loaded in it, and it may be necessary to take this freight out and load it into another car for some distant terminal. The freight is in packages, and it is handled as will best get dispatch, and get the best degree of efficiency of which it is capable out of the car, and that will make an incidental handling of L. C. L. traffic, which the interstate traffic will not experience, or at least not to the same extent.

Many of the intangible expenses, those that we cannot exactly determine, but which every practical man who observes the workings knows are greater in state than interstate traffic, apply with perhaps a lesser, but still in a forceful way to the passenger train.

Mr. CLARDY:

Q. I do not want to interrupt you, but are you prepared to give an opinion as to how much more the transportation and handling of state traffic requires than interstate traffic?

A. The range is over 25%.

Q. I am talking about freight now?

A. Oh, beg pardon, how much more——

Q. How much more is the extra cost of handling state freight than interstate freight, how many times?

A. We can determine in reaching a conclusion; that is, a railroad man in practical, every day service, can determine in reach-
8364 ing his conclusion that in certain parts of that service the cost is four times, like the matter of maintenance and use of cars; and that in the matter of efficiency it may be eight times. So that his conclusion is somewhere between 4 and 8. My conclusion is between 4 and 8, and I do not know that I can reduce that to make it appear any more positive by saying 6 or 5. I have taken these elements I know that cost 4 times as much, and those that cost 6 times as much. Their relation in dollars and cents would be very difficult to determine. We know they exist, so that the excess cost is between in my judgment, based on my experience, 4 and 8.

Q. You make a difference between the trans-state traffic and the interstate traffic?

A. I have taken the trans-state traffic element into consideration as applying particularly to the question of maintenance and taxes, in that connection.

Q. Now, Mr. McPherson, these considerations that you name affecting the cost of the carriage of the freight traffic, exist in a degree so far as the passenger traffic is concerned?

A. Yes, but there are not as many known factors in reaching a conclusion that one can state as justifying the conclusion that he has reached. There is an additional cost, as applied to practical facts, that must be determined along many of the lines that would enable a man to reach his conclusion in the freight business.

8365 Q. You do not have any switching, of course, at intermediate stations, but the train stops at each station?

A. The cost of the local freight train as compared to the through freight train may be likened to the use of a thing; the more times you use it the quicker it will wear out.

Now what I mean by that is this: a local passenger train, like a local freight train, stops at all stations; and on its schedule, while spaced between termini on longer hours, and showing apparently a lesser rate of speed, in reality requires a greater speed necessary between stations, in order to accomplish the schedule within the time given.

Q. In other words local trains between stations usually run faster than through trains?

A. Yes, and they occupy a greater number of hours. I suppose there is no question of the fact that that means a greater cost for fuel; and that in the frequent stops and starts all of the equipment composing the train suffers deterioration more rapidly; that is, require repairs more frequently than equipment in trains that move over the line for long distances without stopping.

Q. Are you prepared to give an opinion as to what per cent more it will cost to handle a state passenger than an interstate passenger?

A. There is another element which I used in reaching my conclusion, and that is in the handling of baggage. I believe it is in evidence in this case that the average length of haul in state
8366 business for passengers is 31 miles.

Q. I don't know whether that is in evidence or not. Is that the average haul?

A. Yes, that is the average haul as given to me by our accounting department.

Q. On the Missouri Pacific?

A. Yes, 31 miles in state as compared with 94 miles in interstate.

Q. That is passenger?

A. Yes, that is passenger. Now then we will go back to the terminal feature of this movement, and consider it as a physical fact: in order to get the same number of state passengers through between the objective points, we have to take on and put off three passengers as against one passenger in interstate. If the expense of doing that were confined to the selling of the ticket by the agent only, we would have to consider it on this basis: that where one man could sell all the tickets for a certain train, that the selling of three tickets as against one would not cut much figure, but it would cut a figure at stations where more than one man was required.

The accounting expense incident to state and interstate tickets is the handling of three tickets as against one, or the handling of three fares as against one.

There is another thing that grows every year in importance in the handling of local passenger trains, and should be con-
8367 sidered to my mind at the maximum, and that is that every passenger buying a ticket has a right to demand that you transport for him practically his weight of freight. That is, that you must transport both him and his baggage. He is entitled to 150 pounds of baggage. The railway company received 2 cents per mile for the transportation of the passenger and his baggage. The baggage part of the service is expensive. Baggage claims are heavy. It is necessary to provide facilities at all stations for handling baggage.

Q. And it is put off and taken on at all way stations?

A. Yes. This would mean that if every passenger demanded that you carry his maximum allowance of baggage, 150 pounds, that we would have to handle to accomplish the same haul, six pieces of baggage at our stations, as against one piece of baggage for the interstate passenger.

Q. That is for 90 miles?

A. That is to say, the passenger who travels 31 miles has his baggage loaded and unloaded. The man who takes his place and travels another 31 miles has his baggage loaded and unloaded, and the third 31 miles is the same. That requires in handling the baggage six terminal expenses in connection with it, and six risks in the number of pieces, for after all the hazard of risk is in the number of pieces, as against one in the interstate.

The COURT:

Q. How do you make that six to one instead of three to one?
8368 A. Because there must be a terminal at each end. If you load it at Topeka, it has to be loaded there and go through.
Q. Yes, but you have to load it at Topeka and unload it at Sedalia?
A. Then if we were considering the same case as this in Kansas, we would say that two terminal expenses would have to be considered in that state. Then we would have two in Missouri and two in Kansas.
Q. I understand you, whether you are right or wrong, I understand you.
Mr. CLARDY: So far as the expense of the traffic in Missouri is concerned, there are two terminals, where the traffic originates and finds its destination in the state, there is a cost of two terminals?
A. There is.
Q. Where it leaves the state and goes to a point outside, then there is a cost on one side of the commerce in Missouri?
A. That is right. And as it takes three state trips to equal an interstate trip in length of passage, we must load and unload six pieces of baggage, and it exposes the railway company to the carriage of 150 pounds of weight for the bare compensation it receives for the transportation of the individual himself.

Mr. JACKSON:

Q. Are you making your comparison with relation to the interstate trip in Missouri?
8369 A. In proportion to the length of the haul?
Q. Just the proportion of the Missouri part?
A. Just the Missouri part.

Mr. CLARDY:

Q. Now, Mr. McPherson, of course interstate passengers have baggage too?
A. Yes sir.
Q. Now is it true or not that interstate passengers usually come from a terminal? You don't pick them up as you do the local passenger at every way station?
A. We pick them up occasionally, less frequently than the local. The per cent of interstate travel from local points as compared with the local travel is very small.
Q. The local travel preponderates?
A. Yes sir.

Mr. LEHMANN:

Q. Is that a matter of record? I would like to have the record.

Mr. CLARDY:

Q. You take a train running from Kansas City to St. Louis to-day, would you think on your observation of the road that they would pick up many passengers between here and St. Louis, destined to points in the east beyond St. Louis?

A. That would be only a matter of observation.

Q. Now, Mr. McPherson, do you think there is an extra cost in carrying passengers? Of course it is hard to ascertain, but what in your opinion, after your long experience, would you determine the percentage of extra cost is for passengers?

8370 A. It would be in my judgment more than 25%. It would vary largely according to the conditions existing on the different railways.

Q. It would in some instances be probably how much, 50%

A. Yes, it might be even greater than that.

Q. Even greater than 50%?

A. On some particularly favored road it might be slightly under 25%.

Q. The minimum you would put at 25%?

A. 25%, yes. And the maximum might be, well it would be within the range of possibilities 100, but as I said before, that is dependent upon conditions. There are special conditions on each railroad, and that is one of the difficulties that an operating man finds in reconciling these things on divisions of his own road. It cannot be expressed in dollars and cents, but there is a condition that makes all the difference in the world in the cost of handling business.

Mr. HAGERMAN:

Q. I would like to ask one question. Now take 25% as the minimum cost, that would apply under the best conditions?

A. I should think so. I would say under the best conditions.

Q. Some of the best conditions are—say take the Missouri Pacific main line between Kansas City and St. Louis, would it be the best condition?

8371 A. Yes, that would be the best condition.

Q. Now the Frisco has not a condition of that kind, where it has great cities on both sides of the states, so that it is not as favorably located in that respect as the Missouri Pacific?

A. Under those conditions I should say that the cost would be greater than of the road more favorably situated.

Q. So that with a road like the Frisco, without great cities on the western and eastern sides of the state, the minimum of 25% would be too low for a road of that character?

A. Undoubtedly.

Cross-examination.

By Mr. LEHMANN:

Q. Mr. McPherson, a good deal of the interstate business has two terminal handlings in the State of Missouri, has it not?

A. Why, I don't know, can you suggest it to me?

Q. St. Joe to Kansas City, and over the Missouri Pacific?

A. That would be true. That would be two terminals. That is to say, that the shipment originates in Missouri, and is destined to Missouri, but it passes through another state to reach its objective point.

Q. There is some more of that sort too, isn't there?

The COURT: Over your line?

A. No, I don't know of another condition of that kind.

8372 Mr. LEHMANN:

Q. Aren't there other conditions in your business——

The COURT: Of course that is a legal question. Excuse me, Mr. Lehmann, for suggesting. The Supreme Court decided that freight from St. Joe, Missouri, going to Kansas City, would be interstate. I don't know whether that is what you mean?

Mr. LEHMANN: Oh, yes, I suggested that to him when I asked the question. I now ask if there aren't other conditions, not just like that, not a case where the road passes out of the state, but other interstate shipments that receive two handlings in this state over your line?

A. There might be conditions where an interstate shipment would receive two handlings, but it does not seem to be chargeable to interstate traffic.

Q. Well, let me suggest a case. Your branches, not the main line, have points of more or less significance?

A. I beg pardon, I did not get that?

Q. Your branch lines leave your main lines at points of more or less significance?

A. That is true.

Q. Now, when you have a shipment from outside the state, over your line, from a point on a branch line, it has got to be handled at a point where the branch leaves the main line, does it not, and particularly is that true of L. C. L. freight?

A. Not necessarily.

8373 Q. Suppose at Jefferson City, for example——

A. And not likely, Mr. Lehmann, if you will pardon the interruption. If that shipment of L. C. L. freight came to the Company it would be undoubtedly loaded into a car that would go through to the branch line.

Q. Take a shipment for Bagnelle for example, L. C. L., it would not be likely to be loaded in a break bulk car destined to Bagnelle?

A. It would be likely to be loaded, if it came on the line at St. Louis, in a car for the Bagnelle branch.

Q. That would be to Jefferson City, wouldn't it?

A. Yes.

Q. And there you would have to unload and load into a Bagnelle car, and then unload again at Bagnelle?

A. No. The orderly procedure on that would be to load it at St. Louis into a car that contained freight destined for the Bagnelle branch.

Q. That goes over the branch?

A. Yes.

Q. A distributing car?

A. Yes, a distributing car.

Q. Do you think you run a car of that character over the Bagnelle Branch, that leaves St. Louis?

A. I don't know whether we have a car set at St. Louis for that purpose or not, but I can let you know.

8374 Q. Would it not be your impression that on that branch there is not likely to be a car of that sort?

A. No, that is not my impression. On the contrary, it is my impression that there is a car set for it at the St. Louis freight house.

The COURT: What is the length of that branch?

A. About 40 miles.

Mr. CLARDY:

Q. For what purpose would this car be set at the freight house for the Bagnelle Branch?

A. For this purpose; if the car had to be reworked at Jefferson City, it would sustain a delay of one day. If we have a Bagnelle Branch car, and I am pretty confident we do, that freight would be loaded into a car for the Bagnelle Branch and reach Jefferson City during the night, and go out on the Bagnelle Branch in the morning.

Mr. LEHMANN:

Q. Taking your own case, your own explanation about a car being set at St. Louis for the Bagnelle Branch: that freight would receive its handling at St. Louis, it could be put in the Bagnelle car without being taken out of the car into which it came in the state?

A. I should say that was rather an extreme statement to make.

Q. How are you going to get L. C. L. freight, interstate, in a car to Bagnelle without handling it twice in this state, just as much so as if it went from Jefferson City, which is something of a distributing point down to Bagnelle?

8375 A. That might or might not be the case. It would depend altogether on the convenience of the movement, and its expedition.

Q. Well, Mr. McPherson, if it is L. C. L. freight coming in from outside of the state, it would not be going into a car set for Bagnelle, would it?

A. Not likely.

Q. Necessarily not. Ergo, it might be brought on a car to Jefferson City but it would have to be unloaded out of that car, wouldn't it?

A. In that case it would.

Q. And isn't what I have suggested with respect to Jefferson City characteristic of a large number of your branch lines? Take for example Poplar Bluff, and the line out there, what you call the Cat Road, don't you?

A. Yes.

Q. And a good deal of jug business is done over that, isn't there?

A. Cairo, Arkansas & Texas is the name of that road.

Q. They speak of that as the "Cat" Road. There is a good deal of jug business done over that, isn't there?

A. A good deal of what?

Q. Jug business or out of that town? You have been down to Poplar Bluff?

A. Yes.

8376 Q. There is a little distribution down there at Poplar Bluff, isn't there, of some things?

A. Yes, there are jobbers at Poplar Bluff.

Q. Now, then, the State shipments from Poplar Bluff to any point on the Cat Branch, receives two handlings, one at Poplar Bluff and the other at its destination?

A. That would be state business.

Q. Exactly. Now isn't exactly the same thing true with respect to an interstate shipment of L. C. L. freight going to any point on the Cat Branch?

Mr. CLARDY: It doesn't come from St. Louis, if it goes on that Branch.

Mr. LEHMANN: I have in mind where it came from.

Mr. CLARDY: It would have to come from Arkansas, and they don't ship anything of that kind.

Mr. LEHMANN: No matter where it came from out of the state, you would have to handle it twice?

A. There would be possibilities there, Mr. Lehmann, but not probabilities. The L. C. L. inter state freight shipments for local points are exceeding rare, for the reason that there is so large a proportion—4% of the total interstate business L. C. L. is because of the location of the cities, St. Louis and Kansas City.

Q. Well, they are both state points?

A. That is true, but a great many cars containing L. C. L. business will come on the line at St. Louis, and go through to Kansas City and vice versa.

8377 Q. Now isn't it also true with respect to car-load shipments into the state, and destined for the branches, for practically any of your branches, that they must receive two terminal handlings in that state?

A. No. There is no necessity for interstate business, handled in an orderly way, to have two terminal handlings, except under certain circumstances, which you have mentioned, from St. Joseph to Kansas City.

Q. Now your branch lines connect with your main lines without regard to whether the point of connection is a division point or not? Sometimes the division point is a place where there are branches from your road, and sometimes not, isn't that true?

A. That is true.

Q. Sometimes the division point is a place where there are branches from your road, and sometimes not: Isn't that true?

A. That is true.

Q. Coming out from St. Louis and towards Kansas City, where is your first freight divisional point?

A. Jefferson City.

Q. Is that the first one?

A. That is the first through freight division. The first local freight division is Pacific.

Q. Have you another one at Chamois?

A. No sir.

Q. Where is the next one, after you pass Jefferson City?

8378 A. The next local freight division is Sedalia.

Q. You have branches out from here?

A. Yes sir.

Q. Where is the next through freight division?

A. There the freight goes over the river division.

Q. You have another road?

A. We have a parallel road.

Q. That is used for through freight?

A. Yes, that is used for through freight.

Q. You said that what we have spoken of as trans-state freight did not have use for certain facilities enjoyed by the local freight: isn't that true, that through freight has the use of facilities not enjoyed by local freight?

A. Not that I know of.

Q. Take the case that you have just suggested, you have a line there expressly to run your through freight on?

A. Oh, pardon me, it is a lower grade division. We operate local freight over that to meet all the demands of the territory of that division, just the same as any other division of the road.

Q. You spoke of the through freight not using the branches isn't it equally true that freight over the Bagnelle Branch does not use some other branch road. Do you think there is any force in that suggestion?

A. I believe, Mr. Lehmann, most assuredly that there is the greatest force in it.

8379 Q. Whenever freight is hauled one hundred miles over a railroad, it has got to go over some one hundred miles, and what difference does it make whether it goes over the main line, or whether it goes over a branch, so far as the use of the railroad is concerned. Isn't it six of one and half a dozen of the other?

A. The trans-state traffic I referred to could make no use of these branch lines.

Q. That is because it is not destined there?

A. And if these branch lines were eliminated from the facilities that the trans-state traffic did use, then the cost of their maintenance and their taxes should be eliminated from the application that a per ton mile basis would give them.

Q. If you eliminate any part of your road as not necessary, you will not have to pay taxes on that, but is not your through freight as a rule carried over a road of greater value than your local freight? Are not your branches as a rule of cheaper construction?

A. Well, the word cheaper would hardly be a fair word to use with a railway transportation company. They are of lighter construction, and for that reason they do not cost so much.

Q. Does not cheaper fairly describe it? I do not understand that to be a disparaging word at all?

Q. In relation to a railroad I would not use that word at all. I would say that the road was of lighter construction, and did not cost so much to build it.

8380 Q. Well, let us take it in that way. It is laid with lighter rail as a rule?

A. That is true.

A. And frequently they are rails taken off the main line, and that have been in use there for some time?

A. That is often so.

Q. The younger son gets the cast off clothing of the older boy?

A. Well, he does not move in the same society.

Q. The fact is as I suggest, is it not?

A. The fact, answering yes or no, would be a little unfair in showing the exact condition. Now the railroad on the branch line does not have to perform the same service. It does not carry the same amount of traffic, and the lighter construction is sufficient, and more than sufficient, for the potentiality of that light construction, in the way of returns in traffic.

Q. It is like the younger son, it has not grown up yet?

A. He doesn't go to parties.

Q. You say the through train gets but very little benefit of some of these terminal facilities, as for example the calling men, the man who calls the employés and so—but I believe you suggested that was one of the things, it did get?

A. Yes, that is one.

8381 Q. How would you have your call men around there if you did not have that station, and wouldn't it be a pretty expensive thing to have call men for just that?

A. That would be the condition where we employed only one caller but there are places where we have to employ four, and in most places, too.

Q. In order to have a place there—these call men are really at terminal points, aren't they?

A. Divisional points.

Q. Yes, Divisional and Terminal; I suppose terminal are always divisional, but divisional are not always terminal. Is that about right?

A. Well, every station is a terminal. It is a stationary instead of a moving expense.

Q. There must be these terminals, and in order that these men may be accommodated, and that you may have them as part of your organized force for running your road, you have got to have these divisions or these terminal places?

A. Yes.

Q. There is a good deal, after all, when you come to consider it that binds all these difference kinds of service together. There is an element of community running all through them, isn't there?

A. Yes sir.

Q. You would not want to eliminate from the service any one kind of traffic we have been talking about, would you?

8382 A. You mean in Exhibit one, do you?
Q. That is what I mean, eliminate it?
A. Yes.
Q. Which one of these three classes, trans state, interstate and state?
A. Oh, not one of the classes. I beg your pardon, I did not understand the question.
Q. I understand you might have some pieces of road that are not profitable, pieces which were unwisely or unprofitably built, but we are not dealing with that, but are dealing with the conditions generally. How do you differentiate between the interstate less than car-loads and state less than car-load? Why is the one more expensive than the other?
A. The state less than car-load, Mr. Lehmann—I want to make this answer now because I did not make it so clearly in my direct examination, the state less than car-load business does not average in loading through from beginning to end in tons. That is to say in the unloading of these packages from the car as it progresses on its journey, the load continually grows lighter. While in less than car-load interstate traffic, particularly where it moves long distances, as for example Kansas City to St. Louis, the average say of the five tons is maintained through. And there in turn your average of L. C. L. per car in ton miles may be four times or three times greater than in the state traffic.
8383 Q. The average less than car-load state haul is a pretty long haul, isn't it?
A. Not necessarily.
Q. The average?
A. Because if it were reduced to a ton mile haul you get some peculiar figures. And that might arise from the fact that the business of Kansas, coming into Kansas City is treated as interstate L. C. L. That would materially lessen the length of the haul, because that traffic is of a very heavy volume.
Q. That would be properly classed as interstate less than car-load, wouldn't it?
A. Yes, it is interstate less than car-load, but it would reduce the length of the haul and that might give you some very startling results.
Q. Your St. Joe to Kansas City less than car-load business would also be interstate less than car-load?
A. Yes sir, it is so stated.
Q. There is no question about that.
Now your average haul on interstate less than car-load is 148 miles, according to Exhibit 19, to which you have referred, and the average state L. C. L. haul is 114 miles, making a pretty good haul. And that is because your state L. C. L. is very largely merchandise, shipped out from the large cities of the state?
A. To local points.
8384 Q. Going pretty well over the whole state, in order to get that average?
A. Yes, I have great respect for the jobbers in St. Louis,

Kansas City, St. Joe, Joplin and Springfield, for controlling the local business of the state.

Q. There does not seem to be a great deal of difference in the length of the haul between that and the interstate L. C. L.?

A. I will explain that, if you will permit me?

Q. Very good, Mr. McPherson?

A. The average L. C. L. haul, except perhaps for the technical interstate condition that exists, as I have just mentioned at Kansas City, would have been very much greater than is shown in those figures, 148 ton miles as the average. But the large part of that, that is taking into consideration the Kansas City situation, the business to and from Kansas, dilutes that to such an extent that it reduces the length of the haul, and it is more imaginary than real.

Q. Its character as interstate is more imaginary than real, you mean?

A. That characterization of it of course would be technical.

Q. That is what you mean. That really from your standpoint, that is from the standpoint of the man operating the railroad, it is really state traffic?

A. It is really state traffic to him.

Q. That brings the thought to my mind, that as a matter
8385 of fact you as a railroad man have in mind and operate without regard to the state line, but with regard to what you classify in your way as local and through rather than state and interstate?

A. Except as we are reminded by——

Q. By legal conditions?

A. Yes sir, by legal conditions.

Q. That is just as I supposed, and but for that reminder you would know but the two classes, local and through?

A. Well, in that possibly yes. That would extend the examination to the supervision of the service, the regulation of the interstate commerce and state commissions when necessities arise that require their study, and in framing methods of operation and issuing instructions governing it, state and interstate business must be well considered.

Q. Oh, of course, it must be considered, but after all that is for reasons of governmental regulation. You would not consider state and interstate but for that.

A. We would not consider it while doing it, but it would be analyzed in the general result.

Q. I don't think you quite get my idea?

A. I mean the average man running a train, or the average conductor or superintendent of a division, would not pay any attention to whether the traffic was state or interstate, except in so far as there were obligations in the one case that did not apply to the other.

8386 *A.* I mean leaving out of view these obligations. Mr. McPherson, you spoke of switching, and I want to suggest this question to you now, that you may have an answer in the morning, if you haven't it at hand.

Your company compiled statistics in regard to the maintenance and operation of engines. I think you print a sheet showing operating cost and results?

A. The Company does print it.

Q. I am advised there is something of that sort. In that you show the amount of switch mileage, and the amount of road mileage accomplished by your engines. Is it a fact that you make up that on the basis of six miles an hour switching by switch engines?

A. Yes sir, we make it up on that basis. Some roads use 6½.

Q. It is also true that you get the switching of your local trains on the basis of 1/10 of their mileage, of the mileage of their road run?

A. We add 10% to the mileage of the local train for switching purposes, to cover the interior movements, when the trains are off the main track.

Mr. CLARDY:

Q. Mr. Lehmann instanced a case where a less than car-load shipment was made from a point outside the State to Bagnelle, and referred to the fact that there would be two handlings, one at
8387 Jefferson City and one at Bagnelle: In a like case where traffic originated in St. Louis, and went from Jefferson City to Bagnelle, there would be three handlings?

A. Yes sir.

Q. There would be three handlings against two?

A. Yes sir.

The usual hour for adjournment having arrived, further hearing herein is postponed until to-morrow, Thursday, December 17, 1908, at 9 o'clock.

8388 KANSAS CITY, MO., *Dec.* 17, 1908.

Met pursuant to adjournment as above on Thursday, Dec. 17, 1908, at 9 o'clock in the forenoon.

Present parties as before.

The following proceedings were had:

Cross-examination of C. J. MCPHERSON continued.

By Mr. LEHMANN:

Q. Mr. McPherson, there is another class of trans-state traffic that is handled terminally in the state, isn't there, consisting of such traffic which, while it passes through the state, is brought into it by one railroad and carried out of it by another?

The COURT: Give him an illustrative case.

Mr. LEHMANN: I don't have in mind the particular lines by which it is done, but it comes into the state from outside on one line or road, and a convenient line through the state involves the use of another road.

The COURT: For instance, over the Missouri Pacific, from Colorado, and on another road to the east.

Mr. LEHMANN: No sir, from inside the state.

A. I cannot recall where such a condition exists on the Missouri Pacific.

Q. You spoke of the great economies that had been effected in railroad operation in the last ten years, consisting in the increase of efficiency of locomotives—that is, that they had a greater
8389 power, could move more weight over the road. That was one of them, was it?

A. Yes sir, the greater tractive power.

Q. That was not accompanied by any marked increase in the cost of the locomotive, was it?

A. Yes, the five year period there, as I said before, would represent contracts made far in advance, and probably would not reflect the exact conditions on delivery. There has been a great deal of fluctuation in prices in that respect.

Q. And the capacity of cars has been greatly increased during the same period, hasn't it?

A. Yes sir, that is true.

Q. And there has not been a corresponding increase in the cost of the car, has there?

A. That is, the same percentage of increased cost as percentage of increased capacity?

Q. Yes?

A. No sir.

Q. For example, estimating the cost of the car upon the basis not of the car itself, but upon the basis of its tonnage capacity, the car is cheaper to-day that it was ten years ago?

A. Yes.

Q. Among other economies effected have been——

A. Mr. Lehmann, please understand that my answer "yes" was on its tonnage capacity, and not the tonnage use of it.

8390 Q. My question was tonnage capacity?

A. Because we have only increased the average tonnage use of the car, by reason of this about two tons. That is all it has increased in carrying power, although in tonnage capacity the increase has been 50%.

Q. But your business has not been able to utilize all of the increased capacity of the car, and the locomotive then?

A. The public has not used it. It is there for the public to use.

Q. I understand that, but wasn't there a period about two years ago, when there was a great complaint because of the lack of cars?

A. Yes sir.

Q. Did you during that period use your cars to their full capacity?

A. There was a very much greater average load during that period than there is now, or than there was before. There was almost a ton greater average load during that period per car than the average loading in 1908.

Q. Take the fiscal year ending June 30th, 1907, that was a year of great activity on your road, wasn't it?

A. Great activity.

Q. And the year ending June, 1908, was for about half its term, a dull year, wasn't it?

A. Yes, the latter half of that year the earnings fell off. That is the way we would measure our year.

8391 Q. That is what I had in mind as constituting a dull year. You say in this 1908 period, the average loading of a car was one ton per car less than it was during the active period ending June 30th, 1907?

A. Yes sir. On the Missouri Pacific for the fiscal year ending June 30th, 1907, the average loading was 17.58 tons per car, and in 1908 it was 16.74 tons per car.

Now in the fiscal year ending June 30th, 1907, cars were very scarce. In the greater part of the year 1908 it was very difficult to find standing room for cars. During the period of scarcity the shippers loaded every pound into the car that they could get in, while now they work to their own convenience, in that respect, so long as they keep within the minimum.

Q. Could you tell how the loading was on state freight as compared with interstate during the year 1907?

A. No sir, we do not keep those statistics with that degree of minuteness. It would be impossible.

Q. But in 1907 it was something less than a ton more on the average per car as indicated by your figures?

A. Yes sir, for 1908.

Q. In 1908 it would be something less than a ton less than in 1907?

A. Yes sir. I could illustrate that in this way: that a man in business may make a shipment of just the minimum of

8392 the car, under these circumstances of car plenty; while in the days before, when cars were scarce, he would have crowded that car, crowded it to the margin, or put in a consignment for two merchants, into that same car.

Q. Beginning about November, 1907, there was a great reduction in the operative force employed on the Missouri Pacific Railway, wasn't there?

A. Yes sir.

Q. You have it in round numbers, the number of employés at the beginning of this period, and then you gave the reduction at 37,000: what did that mean? Did that mean the entire Missouri Pacific system including the Iron Mountain?

A. Yes sir, that means the whole. Our force report is made up taking in the entire system.

Q. When you speak of the Missouri Pacific System, that does include the Iron Mountain?

A. It does. When I speak of it as a system, I take all the mileage under the operation or control of the Operating Department.

Q. And what is the extent of that mileage, Mr. McPherson?

A. It is between 6400 and 6500 miles. I can give you the exact figures in a moment.

Q. If it is quite convenient, I wish you would do so.

A. (After examining papers): 6,479 miles.

8393 Q. On October 30th, 1907, how much financial surplus did your company have?

A. I don't know.

Q. That was at the close of about ten years of exceptional prosperity in the railroad business, wasn't it?

A. With slight recessions, yes.

Q. Speaking broadly, they had been ten remarkable years?

A. Yes sir.

Q. And at the beginning of that ten years period, the stock of the Missouri Pacific Railway Company was not paying any dividends, was it?

A. Why, I have no data on that, Mr. Lehmann.

Q. Before that period came to its close the Missouri Pacific Railway Company was paying dividends on its stock?

A. Yes sir, I know from year to year that to be a fact up to the present year.

Q. As the result of the active use of all your facilities during all those ten years, you found yourselves in October, 1907, with a good many cars more or less out of repair, and locomotives needing attention, didn't you?

A. No sir, our situation in October, 1907, was very good. As I recall it only 8% of our engines needed repairs.

Q. How about your rolling stock?

A. About 2200 cars, which is 5%.

Q. You reduced your shop force as much as you did any other, didn't you, relatively, or more?

8394 A. In October, 1907?

Q. Yes.

A. No sir, we did not reduce our shop force until December. At that time we had got the rolling stock to a condition of about 7%, which is normal for that time of the year; and our cars, too—well, I don't recall the exact percentage; but around 2,000 cars. That is 4%.

Q. The Iron Mountain Company during the ten year period to which I have referred, paid pretty regularly a ten per cent dividend upon its common stock, didn't it?

A. I don't know what the Iron Mountain has paid. I think we could give you that perhaps, through another witness who is familiar with that. I am not.

Q. But as soon as the prosperous period came to an end, you felt constrained to make large reductions in your operating force, and to cease repairs, improvements and betterments?

A. That was a necessity. The earnings fell off, and it was necessary to bring the expenditures within them.

Q. And because you had saved nothing during the fat years to help you out through the lean years?

A. That I could not answer, Mr. Lehmann. That would be a matter of the financial and executive part of the management, with which I have nothing to do.

Q. There had been during this period of ten years, an increase in the rate of wages of the men engaged in the force?

8395 A. Yes.

Q. And that expresses itself as to train men, I suppose, in an increase of pay per mile?

A. An increase of pay per mile.

Q. Resulting of course in an increase per day, per week, or per month, and so on, but it expresses itself in mileage terms, I believe?

A. Yes.

Q. You made no reduction in the rate of pay, or in salaries anywhere, but you made your reduction in the number of force employed?

A. That is correct.

Q. The rate of pay and salaries remaining the same?

A. Yes.

Q. You reduced your force then in the course of a year, or rather, less than a year, almost one half?

A. Almost 50%.

Q. I think it comes down from 37,000 to 19,000 and something, and then begins to rise again, the restoration?

A. There has been an improvement since that time, a slight improvement.

Q. Indicated from the memorandum I have, as beginning in May?

A. Yes sir, a slight increase beginning in May.

Q. What is the number of your force at the present time?

8396 A. I have not the figures since August.

Q. August you gave us?

A. Yes, 24,000.

Q. You made an estimate, as I recall it, of the amount of increased cost, increased by the Missouri Pacific system, because of the increased rate of wages of the men; did you estimate that on the basis of the men now in the service, or on the basis of the men in the service in October, 1907?

A. That was applied to the rolls as they were the last month that the increases were made. I am not quite sure in my statement whether I applied that to October or September. Thinking of it afterward, I felt a little doubt about that matter. It was applied to September.

Q. 1907?

A. Yes sir, September, 1907.

Q. And the amount of money indicated in your testimony that you had to pay on the account of the increase of wages was predicated upon your pay roll for that period?

A. The month of September?

Q. Yes?

A. It would be relatively the same, 10.6% of the pay roll of any month, and it would fluctuate as the pay roll would fluctuate.

Q. But so far as the present time is concerned, that increase in the rate of wages has been more than compensated to the company by the reduction in the number of the force employed.

8397 A. That does not necessarily mean that as we have restored the efficiency of the dollar, we have dropped the men from the rolls. But the men who remain receive the increased rate of pay.

There is only a present saving in dropping the force. It is not an ultimate saving. The work must be done sometime.

Q. Wasn't the dollar paid to the railroad operative in 1907, as efficient, measured in its results, as the dollar paid in 1900?

A. No sir. You do not get the same amount of return for that dollar.

Q. They were operating over a better road, and with more efficient equipment; did not that compensate for the increase?

A. That raises a question. We can deal with the question of efficiency, rather than the question of cost. There are a good many elements that would enter into an answer of that question. The roadbed has been improved. That was done by the expenditure of money. The cars and the locomotives have been increased in capacity. That also required the expenditure of money.

The gross ton miles that those trains handled, that tonnage has increased. There is the element of earning interest on the investment. All those things must be taken into consideration, and that thing cannot be determined finally until the Balance Sheet at the end of the year.

Q. Take the labor cost represented in your traffic move-
8398 ment, wasn't it less per ton mile in October, 1907, than in October, 1900?

A. You might select any branch of the service and treat that alone, and get perhaps an apparent reduction. But, as I said before, you could not tell whether or not that was reflective of a result until you had used all the factors.

Q. We have got to take them individually to get them all. Wasn't there a good deal of decrease of labor caused in the ton miles of movement in October, 1907, or in that fair period of the year, as against the corresponding period of 1900?

A. I don't know, I haven't those figures except for the last three years.

Q. The last three years would hardly bring us back to the period——

A. I beg your pardon, But I have not finished. There has been a difference in the classification of operating accounts, that changed some of the charges from one part of the operation of the railroad to another. Those are the changes made by the interstate commerce commission, which are followed generally by all of the railroad companies. That change of the charges of items makes the comparison practically impossible.

Q. It would seem, however, Mr. McPherson, that your engine being of increased capacity, and the cars drawn by it being of increased capacity, and the number of men who operate the
8399 trains not being increased that you should have both an increase in the rate of wages, and a decrease of the labor cost of the tonnage movement?

A. That would apply just to the train crew, you mean?

Q. Yes?

A. Oh, I should say, yes. I should say there was an increased efficiency of that train crew; but as I said before that would not be an increase of the general result.

Q. I was just taking the one.

Now come to your important railroad; your road with lesser grades and fewer curves, the operation over that is not so wearing upon the rolling stock as it is where you have heavy grades and sharp curves, is it?

A. Well, I don't know. That would be a refinement I would not be able to speak of.

Q. The more level road and the straighter, the less would be the wear upon the way: isn't that true, also?

A. Well, as I said before, those are such circumstances that they cannot be measured. I would say in a general way, if the track was level, as compared with the grades, yes. On a level track there would be less wear. That would not be due particularly to the wheels passing over the rails, but to the engine slipping.

Q. Wasn't there also an increase in the efficiency of your office force?

A. You mean the clerks?

8400 Q. Yes. You would get a larger amount of work done by the same number, and the use of improved methods?

A. No sir, I don't believe that. On the contrary, I do not believe that we have the same efficiency for the dollar in clerical service that we formerly had.

Q. Yet there are improved methods of doing clerical work, introduced during that period?

A. I don't know, Mr. Lehmann, that that is the case. We have more of it.

Q. You had an increase in volume of business too, during those years?

A. We are compelled to keep our accounts in a certain way. We have no other way of keeping them. That is prescribed by the interstate commerce commission. Our statistical inquiry is — our own interest in trying to get the truth of our operation. Now I know of no improved methods of accounting that would reduce the cost or improve the efficiency of the men.

Q. How many passenger trains were you operating on the Missouri Pacific, say in October, 1907?

A. (Witness examines papers.)

Q. If there is any more convenient period, take it, but I would like you to take a period before 1907?

A. If you will let me submit that later, I will do so.

Q. Give me the present period then?

A. We are operating 38 passenger trains in each direction

8401 daily, that is a total of 76 trains, beside our mixed train service on the branch lines four trains in each direction.

Q. Is that over your entire system?

A. No sir, that is just on the Missouri Pacific in Missouri.

Q. That is 38 multiplied by two, and then the mixed trains on the branches?

A. Yes sir, four in each direction.

Q. Four multiplied by two?

A. Yes. Now the number of our freight trains fluctuates. In

October of this year there were 2,935 freight trains, and in November 2,786 freight trains.

Q. That shows a little decrease, is that normal?

A. That is one day less in the month. It is a 30 day month as against 31 days.

Q. I think that alone would account for the difference, just looking at the figures?

A. Yes, pretty closely.

Q. Is November normally as good a month as October?

A. Well, not so much in gross on account of having usually one less working day, but on the average perhaps fairly so.

Q. How many of these trains, say of October, were through trains?

A. 2,064.

Q. As against 2,935 total?

8402 A. Yes, that would leave 871 local.

Q. By through here, you do not mean through the state, but running from one freight terminal to another freight terminal?

A. Yes, that is it. The through freight terminal is the through freight service as contrasted with the local.

Q. Those trains run unbroken from end to end of the Division.

A. That is not always the case, but it is usually the case.

Q. It could not be universally the case, with so large a number of so-called through trains, and so small a number of so-called local trains, could it, and handle your traffic?

A. There are certain places where a through train will fill to its maximum tonnage. The loads are stored there for that purpose. The local trains put them there. The switching trains bring them out, and they fill the train out to its maximum tonnage.

Q. That is, the local trains bring them in from the branches, or some point beyond the freight terminal, and they are bunched at the terminal?

A. That is it, bunched at the terminal, or that may be between terminals. The through train is relieved of the switching service. It stops and simply fills out to its maximum. But as I say, that is not general. That may prevail in places where there are numer-

8403 ous branch lines in connection with the main line.

Q. You make the local trains in a measure subsidiary and subservient to the through trains?

A. They must be. They are the collectors of traffic. They are the trains that do the local work.

Q. They take the side track for the through trains?

A. Well, they take the side track to clear the main track, Mr. Lehmann, because they do the work at the stations, and they have to put their trains out of the way.

Q. And the result of that is that the through train so often does not have to take the side track?

A. Oh, no.

Q. It takes the side track, to get out of the way of the passenger trains?

A. Yes.

Q. But unless your local train must go in upon the side track in any event, in order to do the business at that station as between the local and the through train, you let the through train pass on, and make the local train stand to one side?

A. That is a part of the local train's job: to get into the side track at the local station to do its work, if it has any work to detain it more than three or four minutes.

A. And that would be the reason for having it take the side track instead of the through train?

A. Yes sir.

Q. The local does a good deal of distributing of cars,
8404 doesn't it?

A. Yes sir.

A. More, relatively speaking, than the through?

A. It does the distribution. It does the retail part of it. The through trains handle the cars over divisions. The local train over a short distance.

Q. It all comes down to this, Mr. McPherson, that you are trying to move your tonnage at the lowest possible cost, and do it effectively, and in order to do that you concentrate just as much as you can, and tend to get as long a run as you can of a full train running as near to its highest efficiency as you can attain?

A. Yes, that is the effort of all concerned.

Q. And for that reason you make the local train subservient to the through train?

A. The matter is one of method, and to secure the economy you mention, it is of course more reasonable and economical to put the light train on the side track than to put the heavy train there.

Q. And in addition to that your business is like the gathering up of a river. It comes from its little tributaries, and all tend to flow together, until you come to your great trunk line, where you have an immense amount of tonnage massed, and it goes in solid trains?

A. Yes sir.

8405 Q. And that does not grow out of any purpose of discrimination in a bad sense against the local train, but simply grows out of the convenience of business?

A. Yes sir. The convenience of both the public and the railroad company.

Q. Yes, I mean it broadly. You cannot tell me, I assume, how many freight trains you operated in October, 1907. If you can conveniently I should like to have you do so, Mr. McPherson?

A. I will make a memorandum of that, and if I can get it at noon I will do so. I am not sure that I have these statistics with me.

Q. Will you see if you can give me that for passenger also?

A. Yes sir.

Q. How many locomotives have you?

A. 1062.

Q. You rate or grade all these in your accounts, do you?

A. Not in the accounts, Mr. Lehmann.

Q. In your reports or records?

A. The machinery department classifies all these locomotives for

the purpose of identification, in order to speak in round numbers of 100 or 150 engines of a certain class or type. But they are not separated in the accounts.

Q. What is the principle classification?

8406 A. Formerly we had a primary classification between freight, passenger and switch engines. And that exists today, although all engines now having air brakes, they are used in common as necessity may demand. That is to say a freight engine may perform passenger service, or a passenger engine may perform freight service.

Q. There is no such marked difference between them in type as to disqualify a passenger from being used in the freight service, or vice-versa?

A. No sir, there are a certain number of freight engines of course, that could not make the time of the fast passenger train, but a good many of them could.

Q. The switch engine, I suppose, remains a distinctive type?

A. Yes sir, that is a distinctive type.

Q. And I suppose is not used, except in case of emergency, outside that service?

A. Well, that is, a switch engine engaged as such in the yard, where there is sufficient work to require one or more engines to be constantly assigned. Switching is done, Mr. Lehmann, very extensively out upon the line. There is nothing that prevents a regular road engine doing switching.

Q. But your switch engine is of a type that a non expert can distinguish from the other?

A. Yes sir. It has a low tank, so the engineer can look back and see signals.

8407 Q. You put your best locomotives on your fast passenger trains?

A. Yes sir. We take a special type of locomotive for the heavy passenger trains.

Q. That means your through trains, I assume?

A. That means the through trains, yes. And then we have engines that do better service on a level track than on a hilly track, and others that do equally good work on a hilly as on a level track. They are built and selected for the class of service they are called upon to perform.

Q. There are some that climb well and some that do not?

A. That is it.

Q. And you assign such engines to a run that are appropriate for their peculiar capacity?

A. That is it.

Q. Your engines on your branch lines are usually not of as high type or high efficiency as those on the main line?

A. In respect to capacity they are not as heavy engines as those on the main line. But in respect to weight, they are as heavy as can be operated for those branch lines.

Q. Have you figures of your rolling stock, the number of passenger cars?

A. 630. That includes baggage and mail.

Q. How many baggage and mail cars would that be?

A. 148. That includes baggage, mail, express and cars that perform the functions of two or three.

8408 Q. Of the coaches intended for carrying passengers, being of these 482, how many are the Pullman type of cars?

A. None.

Q. None of these?

A. No sir, these are Missouri Pacific cars.

Q. I have in mind by "Pullman type" a sleeping car or a parlor car or observation car?

A. We have a type of combination cafe car, but it is almost a negligible quantity with us. We have about 20 dining cars.

Q. Included in the 482?

A. Yes sir.

Q. How many of those combination cars, such as you run between Kansas City and St. Louis, buffet observation cars?

A. I don't know the figures on that. I have no statistics here, and just now I don't recall that I ever considered that matter in the way of numbers. They are not many. It is almost a negligible quantity.

Q. How many Pullman cars do you run over your lines?

A. The number of Pullmans would vary. We run, however, a great many Pullman cars, a good many sleepers.

Q. What would you say was the average number?

Q. The number varies with the amount of travel.

Q. What would you say is the average number?

A. I don't believe I could make an estimate.

Q. You gave an example yesterday of the comparative cost of doing state and interstate business, and submitted a diagram making a comparison between the movement of a car of trans-state

8409 freight, one car, one 40 tons of freight, across the state; and then compared that with eight local merchandise cars containing five tons each, and with six distinctive movements across the state: how many cars of 40 tons capacity has your company?

A. We have been buying cars of that capacity since 1902, and from the fact that all our freight cars average 31.3 tons capacity, there would have to be something more than 70% to 75% of 40 ton cars.

Q. Of your total equipment?

A. Of the total equipment.

Q. 70% to 75%.

A. Yes sir. Now we may reach that a little closer by an estimate: We have to-day no 20 ton cars in active service. The lowest would be substantially 25 tons. Now out of 46,000 cars we have an average of 31.3 tons capacity per car of all cars; that is, taking the 25 ton, 30 ton and 40 ton cars.

Q. That is your average capacity?

A. Yes sir, the average capacity of all freight cars. In other words 46,000 cars average 31.3 tons capacity.

Q. You have practically none of less than 25 tons capacity?

A. I would qualify that somewhat. We have perhaps 200 to 400.

Q. I want to get the minimum?

8410 A. They range from 20 to 40 tons. We have a few 50 tons.

Q. They range from 20 to 40 tons, and you have a few 50 ton cars?

A. Yes, 400 or 500 of the 50 ton cars.

Q. Your 20 ton cars are old?

A. Yes, they are all more than 15 years old.

Q. And they are in the service because it is better to use them than to throw them away?

A. Yes, they perform a good many services.

Q. While that capacity is inadequate, still it is more economical to use them, inasmuch as you have them?

A. They have ceased to be — profitable unit to operate, and another thing, they are too light to put in a heavy train between or behind heavy cars, or behind a heavy locomotive; the strain is too great.

Q. Therefore, you use those on the branch lines, where the business is light?

A. Not especially on branch lines, we use them for designated traffic. We have a certain number of cars for the sand business, for instance, running between certain points.

Q. You use a light car for sand?

A. Where we have it in a designated, stated traffic. Or to and from the lime kiln. We find such means as we can to keep those cars in active service.

Q. Would you have a car of that kind constructed now?

A. Oh, no.

8411 Q. You would not, even for that service, regard it as an economical type of car, if you could choose without any additional cost?

A. No sir, we would not have a car as light as that constructed.

Q. What would be your minimum now?

A. We have had no cars constructed since 1902, with perhaps a few exceptions for special purposes, below 40 tons capacity.

Q. You would now regard 40 tons as your minimum?

A. As the minimum. There is, however, quite a question in the mind of operating men as to whether or not we have not gotten beyond the sizes of car that is useful for general purposes.

Q. I do not want to get into an expert question of that kind. We have got quite enough here. I simply wanted to get the fact as to what you are doing, and I assume that what you are doing represents the present best judgment of railroad men, while they may revise it later.

Cars of less than this capacity that you are getting, does that mean a type of car for special business, like a furniture car, or——

A. No sir, I am speaking of stock cars, and some others. I notice in the list as I have gone over it, certain cars have been built since 1902 that were of less than 40 tons capacity, but I did not fix the fact particularly in my mind.

8412 Q. You speak of a list: have you a classified list of your rolling stock equipment?

A. No sir, I wish I had, because it would relieve me of this embarrassment.

Q. Does such a list exist?

A. One could be prepared.

Q. Without any serious difficulty?

A. It would take some clerical work. We have no list in our records. That would have to be taken from the books.

Q. With an average capacity of 31.3 tons per car, you have an average loading of 17.58% in 1907, when business was pressing, and of 16.74 tons in 1908, when business was not so pressing. So that would indicate the average efficiency of your cars, wouldn't it?

A. That would indicate that we averaged in the service of those cars the average efficiency. But I omitted to say that that average of course represents the total car-load and less than car-load, and it is pulled down very much by the less than car-load business. Eliminating the less than carload business, the average would be very much higher.

Q. Your total less than car-load business in the State of Missouri, and I assume that is typical of your system, is 4.8%?

A. Our less than car-load?

Q. Yes.

A. Represented in tons or ton miles?

Q. Represented in total tons. And in ton miles it is

8413 6.45%?

A. Well, I understand our proportion of less than carload——

Q. I am speaking of course from exhibit 19 in the Missouri Pacific case?

A. As I read Exhibit 19 the proportion of less than carload business in the State was 15%; that is, state less than car-load.

Q. I am glad you referred to that. I so understood you last evening, but I have a discussion subsequently, an- was told that I had misunderstood you.

I will ask you to look at Exhibit 19. I thought last evening you had probably been misled by a figure there, which is 1.54, but I was told that I had misunderstood you?

A. These calculations I think have been carried out further, and as I read it, the less than car-load ton miles were 15% of the ton miles of the state.

I was momentarily confused in answering your question, Mr. Lehmann, because the calculation I used is not made in this exhibit.

In this exhibit the number of tons moved a mile in state car-load traffic, and the number of tons moved in less than car-load traffic is shown, and the total is shown, but as to the proportion of ton miles, as between car-load and less than car-load traffic, that is not shown, and I had to calculate it.

8414 Q. I think you will find that shown in another column there, Mr. McPherson?

A. No sir, that is a percentage of the ton miles of the entire traffic, both state and interstate, shown in that other column. Now I made this calculation by inspection. I took it as one is to 6804, or about 1.5. Now I find in figuring that out that is practically 14% instead of 15%. I used the rough figures.

Q. You mean the total state freight is 14% of the total tonnage?

A. Yes, and again the proportion of L. C. L. freight of the total state freight would be 14% of the total state freight.

I was endeavoring to seek the relation of the state freight as between car-load and less than car-load. It is only a coincidence that it amounts to practically the same as the proportion of the state to the interstate freight.

Q. We were talking about the average loading of your cars, not classifying as between state and interstate, but taking the whole of it, and you gave the figures?

A. 17.5 tons?

Q. Yes.

A. That would embrace everything, Mr. Lehmann.

Q. So I understand?

A. And that is for the system, you understand, because
8415 those figures are not kept for the State of Missouri, separate from the figures of the system. That would be an almost prohibitive task.

Q. There is no reason for assuming that the relations between the different kinds of traffic are not fairly averaged in Missouri, is there?

A. With other states?

Q. Yes?

A. Well, there may be some difference in conditions, but I would say in a general way if you mingle it all there would not be very much difference. That would be fairly reflective, at least sufficiently so for operating purposes.

Q. Taking 17.58 tons to the car on the average and your total L. C. L. tonnage being 4.36 of your entire tonnage, that cannot greatly reduce the average loading of your cars, can it?

A. Yes sir, that would very materially reduce it. In dealing with percentages you get some very startling results, some times. You apply the relation between the state L. C. L. to the state car-load, and the interstate L. C. L. to the interstate car-load freight on the basis of ton miles, and that will be itself illustrative of my point.

Q. Can you from any figures you have among your records state how many cars were used in this L. C. L. business?

A. No sir, that would be impossible.

Q. There is no record that would disclose that?

8416 A. It might, and probably involve in the vicinity of 150,-000 cars, or as much as that.

Q. But you have no record on the subject?

A. We have no records on the subject. We know the general average from daily observation.

Q. And you would put that at about how much, 5,000 pounds?

A. I put that at between 2½ and 5 tons to the car; I would say

in a general way it runs from 5000 to 10,000 pounds I have tested that in months for my own satisfaction at our own principal loading stations on our system, and some months it would run as low as 8,000 pounds on a general average.

You understand that the 8,000 pounds would be the actual loading at the stations, and would not represent the total freight through. Those peddling cars through the state would be diminished in their movement.

Q. Cars like agricultural implements cars run very heavily loaded in weight?

A. They are not as heavily loaded as the amount we collect for our weight established on that kind of freight, the minimum even though the car does not contain it. The shipper is obliged to pay on a minimum of weight.

Q. And in that case, for the purpose of your records and statistics, you take the minimum as being the actual weight?

A. Yes sir, whatever is billed and paid for is taken into
8417 the account.

Q. This Exhibit 19, for instance, is made up from your records?

A. I presume it is. It was made up I believe by your statisticians.

Q. But in taking the tons from your records, it would be the constructive tonnage?

A. Yes sir, it would be the constructive tonnage.

Q. Because there is nothing on record to show a difference between the constructive tonnage and the actual tonnage?

A. No sir, that would be the constructive tonnage. That would be the tonnage on which the company received revenue at the various rates.

Q. It would enter into the general average here, indicating the average load also?

A. Yes sir.

Q. Your fruit cars and meat cars are very much the same in that respect, they run on a minimum?

A. Meat cars are foreign cars. We have no meat cars of our own. They load up to the average, and we really (I think I may safely say) — that in most cars the average efficiency of the car is reached actually, and not constructively.

Q. Which cars are loaded the heaviest as a rule, those engaged in the state or those engaged in the interstate traffic?

8418 A. Those engaged in the interstate traffic are loaded the heaviest as a rule.

Q. On what do you base your judgment?

A. For this reason: that our coal is largely interstate. We have coal fields located on the Missouri side of the Kansas line, and on the Kansas side of the line. Now those cars move back and forth. Coal loads to the maximum capacity of the car; in fact it loads 10% beyond that. A 40 ton capacity car would be taken out from the mine, if it contained 44 tons, or any amount between 40 and 44 tons.

Our ore, which loads to its full capacity, is also interstate largely.

And lumber, the heavy products of the state, form a large proportion of the interstate traffic.

Now in the state car-load traffic, so far as it consists of coal, cement, sand, brick, and such articles, loads to its full capacity. But as a general proposition the fact that we have such large cities in the state, both Kansas City and St. Louis, and that the products of the state to a considerable extent go into those cities, there is an average lighter loading that does not reach the full capacity of the car.

Q. Was that as true in 1905 as it is now?

A. Conditions changed somewhat year by year, but not enough I think to affect the general average.

Q. Where is Howard on your line?

8419 A. Howard is a station between St. Louis and Kirkwood.

Q. And what is loaded there chiefly, loaded or unloaded? What is the business out of Howard? It is quite an important point?

A. It is quite an important point; tiling, brick, and such articles as that.

Q. I observe that in October, 1905, there were 602 cars in state traffic loaded there, with 22,310 tons, and 771 cars interstate traffic loaded with 21,826 tons. A larger number of cars in the interstate than in the state traffic, and a smaller tonnage?

A. Well, that could be explained: We treat that as a switching proposition. Our switch engines handle the traffic. Now the raw product there happens to be a state proposition, as against the finished product being an interstate proposition. It would be merely one instance.

Q. Take your main line stations throughout the state, and will not the state car-load business average a heavier loading than the interstate?

A. Oh, no.

Q. Exhibit 8 previously introduced in the Missouri Pacific Railway Company's case, in the original hearing, showed for the month of October, 1905, the amount of intra state and interstate car-load freight, handled at stations on the Missouri Pacific Railway

8420 named therein: I believe it includes the main line stations, 88 in number. I find the total number of cars handled in interstate traffic to be 4482, and the tonnage handled by them to be 130,604. The total number of interstate cars to be 2648; and the total amount of tons handled by them 59,434. 61.8% of the cars being engaged in state traffic, and handling 66% of the business. 38.2% of the cars being interstate cars, and handling 34% of the business. Expressed in tons that would indicate a heavier loading for state cars than for interstate?

A. Let me see if it would, Mr. Lehmann. It might be because of the large number of cars handled in the terminal, like is evidenced here, where it is a switching proposition. It is not so much a matter of a railroad proposition as a matter of drayage. That element enters so largely into the business surrounding the city, that if

we combine that with the general result, we still would not get the truth; we would not get a true relation.

Q. This is an exhibit introduced by your company for the purpose of showing the relative amounts of state and interstate car-load freight handled at these stations?

A. I have not examined this exhibit in its general relation to my testimony, but I will say this, that I will be glad to do so, and explain that it is now, apparently, contrary to my testimony. The fact, however, as before stated of this traffic within the city,

8421 or within the terminals of St. Louis, enters very largely into the appearance of discrepancy.

Q. Your agricultural implement business is a through business, most of it, very much the greater part of it, isn't it?

A. It may be a state business, an interstate business, or a transstate business. It may be any one of the three.

Q. I realize that, but very much the greater volume of it is interstate, isn't it?

A. Yes sir, I should say so.

Q. Because you handle agricultural implements, and most of them are brought from without the state to begin with?

A. Yes sir, the agricultural implements are manufactured in the middle west east of the Mississippi river, to a great extent.

Q. So practically, even such of that traffic as was destined for Missouri, would be interstate?

A. There is this business condition: that these agricultural implement houses have their storehouses and sub offices in the State of Missouri. I am more familiar with that situation at St. Louis than at Kansas City. They store those implements in St. Louis, and then they ship from there direct. While the origin may have been in another state, they have been in St. Louis or the State of Missouri, for a time before they are sold, so that in making them interstate, provided the sale is made in the state, would be only technically an interstate shipment.

8422 Q. A good deal of that goes beyond, though: goes out to Kansas and all the western states?

A. Oh, yes, it goes all over; all over our territory.

Q. What is the minimum per car-load on that, this arbitrary minimum you speak of? I don't mean the actual loading, but you spoke of a minimum upon which they must pay?

A. I have that data in my room at the hotel. I did not bring it down here with me, but I can give it exactly. There are so many commodities that have the minimums established that I would not like to undertake to answer that from memory, without reference.

Q. And that varies as to the different commodities, does it?

A. Well, the company likes to get at least 24,000 pounds to the car as a minimum on a commodity shipment. That is its advantage over less than car-load shipments, consigned to various parties.

Q. 24,000 pounds?

A. Yes sir.

Q. That is 12 tons?

A. Yes sir, that is 12 tons.

Q. Then this minimum to which you had reference is less that your actual loading on the average?

A. Oh yes, a good deal less.

Q. Would you say generally, as to the minimum, where
8423 the minimum is required to be loaded, that the minimum is less than the average in all cases?

A. Yes, I would say it would run considerably less than the average.

Q. I didn't know, and perhaps that is sufficient for my purpose?

A. It is less than the average in all cases.

Q. Your freight cars from the west. Do they run on a minimum?

A. Well, now, that enters into something like thousands of articles, and as I said before, it is straining a man's memory. There are some things that a man would examine that he would remember, but I did not in that case. I only took the general assumption that the minimum, generally, that the Company seeks to get is at least 12 tons to the car.

Q. Fruit would be rather light freight, wouldn't it?

A. Not generally.

Q. I imagined it would?

A. We might be able to get more than 12 tons of fruit into a car, depending upon how it was packed, and how compactly it might be loaded, and whether in crates in baskets.

Q. You do not get, then, much more than half of the efficiency of your cars on the average of your handling?

A. We do not get half the efficiency?

Q. Not much more than half?

A. No sir, what 17½ is to 31.3.

8424 Q. Isn't much the same thing true about the rated efficiency of your locomotives?

A. As to revenue tonnage, yes sir. We treat the question of efficiency of locomotives on a different basis, Mr. Lehmann. We considered the efficiency of the locomotive on everything she has to haul. That is to say, the weight of the car and the weight of the freight that it contains. That is the basis of locomotive efficiency. Even with a train of empty cars, the locomotive efficiency would be established by the tonnage.

Q. On the engine?

A. It would be ascertained by the tonnage; it would be all dead weight, with no revenue.

Q. And yet the utmost efficiency of the locomotive might be employed?

A. Yes sir, and yet the utmost efficiency of the locomotive might be employed.

Q. I am taking it in that way. I am not discriminating now between pay and dead weight, but isn't it a fact that whatever may be your purpose, even though you are simply moving empty cars, you do not get the highest efficiency of the locomotive because you cannot organize your work up to that point of perfection?

A. The operating man dreams of an ideal condition, but he does not realize it. He does his best.

8425 Q. I know it—and he falls pretty far short of his ideal, doesn't he?

A. In applying that to the efficiency of the locomotive in tonnage if the traffic is well balanced, we come pretty near, or rather, we nearer realize the efficiency through locomotive performance, perhaps, than in any other part of our operation.

Q. Take your average train service as it develops in actual practice, will your locomotives average more than 55% of their efficiency?

A. Well, that considered that way would take in the lack of balance in traffic, the running of light trains, because traffic offerings were not equal in each direction. I cannot give the exact figures on that; I cannot even give an estimate. We do not keep our gross tonnage performance. We require the various terminals to give the locomotives their gross tonnage, wherever it is available, and from the fact that in a majority of cases we can hold freight back until that tonnage is available, and as I said under conditions of well balanced traffic, we get perhaps nearer the efficiency of our engines, their potentiality.

In further explanation of that, we might have the potentiality in one direction. We would reach that. But in the other direction it might be considerably less. It might be 95% in one direc-

8426 tion, and it might be 85% in the other direction.

Q. Or you might possibly run back light?

A. Yes sir, and that would reduce the 85%.

Q. And it would be nothing at all in the other direction?

A. It would not get to the extremity of nothing at all except in a very small number of cases.

Q. The live stock business is chiefly state or interstate?

A. That divides, as we have the two markets. We have now got another question of technically interstate business. We move business from our local stations to St. Louis. By an accident of birth the stock pens are on the east side of the river, and that makes it technically interstate business.

Q. And, therefore, it is so classified here?

A. Yes sir. Now in Kansas City, we have got a different condition. That is local.

Q. Now with interstate shipments, take the very shipment to St. Louis, and the stuff that is brought in may be brought from Kansas City or anywhere along the line, and sent over to the stockyards in East St. Louis; you absorb the terminal charge in that case, don't you?

A. That would be a traffic arrangement. I presume we pay it, but I don't know.

Q. More than pay it; you actually absorb it, don't you?

A. I do not know. I am not familiar with those traffic arrangements.

Q. Don't you understand the bridge arbitrary?

8427 A. I figured a good many times on our company fuel, what it would cost us to get it over the bridge, and what it would cost to get it over our ferry, but the general proposition as to whether

we absorb the charge on one class of traffic and not another, I have not figured.

Q. I am not referring to it as a traffic proposition, but there is a good deal of discussion in St. Louis, about the Bridge arbitrary?

A. Yes sir. Two banquets were held there once. One to celebrate its abolition, and the other to deplore the fact that it had not been abolished. One was given down town and the other in the west end of the city.

Q. Isn't this about the truth of that matter: that you absorb, in a case such as I have put, and that you therefore have got to provide for the very elaborate terminal handling of all the freight you bring in from the west, and especially for the reason—take for example, the Alton road in its run from Kansas City to St. Louis, it reaches East St. Louis before St. Louis; and it could drop its cars off there, and you had to meet that condition; therefore, every one of the west lines into St. Louis absorb the terminal charge and the bridge arbitrary, making a very heavy terminal cost upon that class of business?

A. As I said before, Mr. Lehmann, I do not understand the traffic theories in this matter, nor what is absorbed in the rate. That is a traffic matter. I never have studied the traffic part of our
8428 business, and I am not qualified to testify on traffic matters. Even though I know from the newspapers, and from observation that there is a certain condition perhaps, it is not clear to me, and I only know it as I have picked it up. I will not say I have not got the intelligence to absorb those matters in a general way, but I would not qualify as an expert on them as applied to one class of traffic or another.

Q. Let us get at the physical situation.

You handle a good deal of live stock from west and southwest of St. Louis, don't you?

A. Yes sir. We handle a good deal of live-stock into St. Louis from the west, from points in the State, and from the southwest and northwest.

Q. Some of it, substantially, is interstate traffic in the sense that it comes from beyond Missouri, and some of it, what we may call technically interstate traffic, because it comes from within Missouri, and is delivered just across the line in Illinois?

A. Yes sir, that is right.

Q. But both kinds of interstate traffic in live-stock is handled by you, and to a considerable extent?

A. Yes sir.

Q. Now all that stock coming to St. Louis, must pass thro' the terminal system, and I will ask you whether you do not handle it through that terminal system, as a matter of handling?

8429 A. We deliver all the live-stock we take to St. Louis for the National Stock-yards, to the Terminal Company. Whatever live-stock we take to St. Louis for the Independent yards, located on the west side of the river, we deliver direct.

Q. You can do that from your own tracks?

A. Yes sir.

Q. The National Stock-yards at East St. Louis are very much larger?

A. Yes sir, they are older, longer established.

Q. And the big live-stock business is in East St. Louis, Illinois, and not in St. Louis, Missouri?

A. I presume it is, I would not know the different relations, of course.

Q. Nelson-Morris & Company are over in East St. Louis?

A. Yes sir.

Q. The stock-yards are quite an institution of East St. Louis?

A. Yes sir.

Q. Enough so that they have considerable life right there, incident to that?

A. Yes sir.

Q. They have a stock-yards bank there?

A. I believe they have.

Q. And there is a suburban train run out there to the stock-yards?

8430 A. Oh, yes, they have good transportation facilities.

Q. I am suggesting that as indicating that the live-stock business must be very much larger there than at the Independent yards?

A. Oh, yes, but how much I cannot say.

Q. It takes about 36 hours to get a car through the terminals at St. Louis, doesn't it? That is, taking the time of its delivery by the in bringing line, and its reception upon the other side?

A. You mean a car of stock?

Q. A car, generally. I was going to get to the stock car later?

A. In every car of stock——

Q. Just generally, for a car. I was going to take up the other later?

A. I don't know that I have ever examined into that especially, but I should say no. We have deliveries that are made, I have in mind some that are made in four hours.

Q. Through——

A. Through the terminals.

Q. The average in Chicago is 72 hours, according to reports made by a commission of railroad men who examined into conditions there. And I think it is 30 hours in St. Louis. I cannot say about that, however. But there was an elaborate report made in Chicago, and they take 72 hours there.

Your live-stock must be moved through quickly—I was 8431 getting at that because of what you suggested in your direct examination, that they must be unloaded at least once in 28 hours.

A. Yes sir, the live stock must be moved in a continuous movement from the point of origin to the point of destination, minus the hours it is stopped for food, rest and water.

Q. That involves giving it a special movement, a quick movement, and especially through terminals like St. Louis, that involves a special expense?

A. Live-stock involves a special expense and special cars from the moment it comes to the railway company until we dispose of it, and unload the burden on some other railway, or unload the stock at its destination.

Q. There is an elaborate terminal expense also?

A. The transportation of live-stock is very expensive. It is a very expensive proposition all the way through.

Q. I want to get at this matter of the terminals?

A. The terminal expense would embrace the cleaning of the cars, disinfecting the cars, and all that sort of thing.

Q. Taking your position there, your handling it through the St. Louis terminals, and getting it over to the East St. Louis stock-yards, the fact that it has to be handled quickly and specially, makes it a great deal more expensive than freight passing through the ordinary routine?

A. I don't know that the Terminal charges any more for it. Possibly they are in the same position as the Railway—that
8432 livestock rates are not compensatory as a general proposition in our view.

Q. But in the actual situation there, that terminal is owned by the railroad companies, and the charges are based on the view of making them carry the business, and that is all. The Terminal Railroad Association is not operated for profit. It does not assume to pay any dividends on stock?

A. I don't know anything about its financial arrangement.

Q. That is a fact. You know the railroad companies there own the Terminals?

A. I assume they do because the railroad managers are directors.

Q. And they are under obligations to let any new road that may come there into the use of the terminals under the same conditions as they use them. And that those conditions are intended to be substantially conditions of cost, so that the cost is in a sense borne by the railroad companies.

Now it is not a special service, no matter who pays for it, now how it is paid for, it is not a special service or a special handling of cars involving an actually greater expense regardless of who may pay for it?

A. It may or may not. Now if that is a train-load of stock the Terminal Railroad Association can take that train-load of stock unbroken from the delivery track of the Missouri Pacific Railway, and put it on the receiving track of the National Stock yards.
8433 As contrasted with another terminal expense, we will take an equal number, say 30 cars, of dead freight to be distributed in St. Louis. That may require the service in its maximum of 30 engines to take it to the various parts of the terminal system, or it may take ten.

Those 30 cars may require the use of an engine—that is, 30 cars of dead freight may require the use of an engine from its receipt to its delivery to its destination, a day. And 30 cars of stock may go through from its delivery to the receiving track, as a single unit. It is difficult to make an answer generally, because a man would

have to be directly concerned in the daily operation of the terminal system to be a competent witness on that proposition. I use my illustration from my observation in our own yards. We get trains in our yards at St. Louis, which are very expensive, and in the distribution of those cars we may have to make 30 individual movements to get those cars to 30 industries. If we can handle a train like a train going straight through from Pueblo to New York, that goes as one unit instead of 30. That is to say, the engine in its performance has moved 30 units instead of 30 engines moving one unit each, or one engine making 30 separate movements to 30 industries.

Q. Mr. McPherson, you are not relevant to my inquiry. You got into an entirely different matter. What I am asking is, other conditions being the same, one car requires peremptory, immediate and special handling to send across the river from St. Louis to East St. Louis. Does not that involve necessarily a greater expense than if you could take your time and convenience to take that car over there?

8434

A. Yes sir, it would, if it were one car. But that is not the way the shipments go. They go in a greater number of cars, because there are loading days and market days.

Q. Precisely?

A. And the stock is held back and shipments collected on certain days, until there are several cars to move. So in answer to your question I would say, if you have one car, and it was necessary to give it that special movement, it would be an extra expense. But from the fact that the traffic moves in a number of car lots, that changes the situation.

Q. Nine-tenths of your live stock business to St. Louis, isn't it?

A. I would not say what the proportions are. I couldn't. The Independent yards do some business.

Q. As a practical railroad operating man, you know, don't you, that handling live-stock from Kansas City to East St. Louis, having to go through St. Louis into East St. Louis, Alton Railroad having a line from Kansas City to St. Louis, which passes through East St. Louis, before it reaches St. Louis, that makes the Alton a short line there?

A. Oh, certainly.

8435

Q. And you have to meet that?

A. I have not examined the relative distance, but it would naturally be so, provided the lines were the same in Missouri.

Q. Practically speaking it is the short line, regardless of the mileage in Missouri, because of the river condition there. It is an easy line from Kansas City to East St. Louis, isn't it?

A. The Alton?

Q. Yes.

A. In what way do you mean that?

Q. You don't have to cross the Mississippi river at St. Louis?

A. If that is a definition of an "easy line" that is all right.

Q. I mean that has been a serious inconvenience there, having to cross the river?

A. Oh, yes, it is very serious.

Q. In other words, the geographical situation gives the Alton road the advantage on the traffic from Kansas City to East St. Louis?

A. I might say it did, looking at the matter from a purely physical standpoint.

Q. And you were of course, bound to meet it just as you were bound to meet the competition of the through line freight?

8436 A. I presume that is true.

Q. And doesn't that obviously require the absorption of the terminal charges at St. Louis?

A. I presume, Mr. Lehmann, it does, but I don't know. That is as near as I can answer that question. If that is necessary in order to meet the competition, I presume that would be the case, but I don't know it to be a fact, because it is no part of my work, and I have had no occasion to examine into it.

Q. There is other interstate freight that is subject to the same conditions that we have indicated as to live-stock, isn't there?

A. You mean as to its movement, or as to the special character of the traffic?

Q. Traffic that comes from the west and southwest, and instead of resting at St. Louis, goes to East St. Louis, and requires, therefore, that elaborate terminal handling?

A. I do not recall now what it is, Mr. Lehmann.

Q. Any freight from the west to the southwest, or from Kansas City or any other competitive point in the State of Missouri, destined to East St. Louis, where you have that Alton condition?

A. It would require the terminal charges at St. Louis, whatever may be established.

Q. Now isn't it also true as to all freight coming from the

8437 west and bound westward, either destined to points in Missouri, or destined to points beyond Missouri, and passing through the State of Missouri: that if it goes over your line, or any other lines over save the Alton, it has got the terminal expenses that are incident to passing through the terminal situation at St. Louis to meet, and that those are absorbed by your company, and other companies situated the same way?

A. I don't know as to that. It would look reasonable to me, as an operating man that if the Missouri Pacific absorbed it east bound that the delivering line ought to absorb it west bound.

Q. So a large amount of not only the interstate freight, but even the trans-state, or through state freight, is subjected to a heavy terminal expense at St. Louis, an expense that is much heavier than the expense of the terminals at the country station?

A. There should be no terminal expense whatever on a trans-state shipment. It requires nothing in its straight away movement, except to keep it going. It has no duty to discharge to the state.

Now I did not understand about the absorption or the relation between the east and west bound freight, and the absorption of the switching charge at St. Louis. That is a traffic matter. But regardless of that, the general proposition of trans-state traffic does

8438 not admit of the possibility of a terminal charge.

Q. I am not speaking now so much of terminal charge, as

terminal expense. Because what we are trying to get at here finally, is the relative expense of handling state and interstate business with a view to determining the propriety of charges for the two kinds of business.

Now you have suggested, as have other witnesses, that interstate freight has but one handling as against state freight having two handlings, and trans-state none:

Now there is a bridge over the Mississippi river at Thebes, isn't there?

A. Yes sir.

Q. And that one affects somewhat the condition of traffic of the state, and the rates of the state, doesn't it?

A. In what manner, as to the cost?

Q. No, I mean it is a facility that some of the railroads of the state can use?

A. Yes sir.

Q. Call it if you please a factor in the situation?

A. Yes sir.

Q. Now where is the next bridge across the Mississippi river, at St. Louis?

A. Yes sir, at St. Louis.

Q. You have a ferry there?

A. We have a ferry operating between Carondelet and Ivory.

8439 Q. That is known as the Ivory Ferry?

A. Yes sir, it is known as the Ivory Ferry.

Q. Before you get up to the bridge at St. Louis, there are other ferries crossing the river, aren't there?

A. There are other ferries at St. Louis. There is the Wiggins Ferry, and the Interstate——

Q. Those are operated by the Terminal Railroad Association?

A. I don't know as to the Interstate. I have understood that the Wiggins was operated by the Terminal.

Q. You have then the Eads Bridge operated by the Terminal Company?

A. Yes sir.

Q. Then you have the Merchants' Terminal Bridge operated by the Terminal Company, haven't you?

A. Yes sir.

Q. And then you have nothing more until you get to Alton, have you?

A. There are no bridges between St. Louis and Alton, that I know of.

Q. That is right I think. Where do you get your next bridge, at Louisiana?

A. Between here and Kansas City, I think it is.

Q. On the Mississippi river?

A. Yes sir.

8440 Q. And that is about the last that would figure in the situation here, isn't it?

A. Yes.

Q. The next one is at Hannibal?
A. Yes.
Q. The Alton has its own Bridge at Louisiana, hasn't it?
A. Yes, the Alton has its bridge at Louisiana.
Q. And that bridge is operated at a constituent part of the Alton road?
A. Yes sir.
Q. As just so much of its mileage?
A. I don't know about that, whether the charge is arbitrary or not. As I say that would be a matter of traffic arrangement.
Q. Freight coming from the East, and destined to points in Missouri, in the west and southwest, reached by the Missouri Pacific, are handled mainly by the Terminal Railroad Association aren't they?
A. At St. Louis?
Q. Yes?
A. Yes.
Q. What business do you handle on your Ivory Ferry?
A. I made that answer yes, but I would like to qualify that. This is the situation: There is a certain part of that business that is given to the bridge. We take a considerable portion of
8441 our traffic east and west, over our own Ferry, the Ivory transfer. But even if we do that, we are sometimes obliged to make delivery at East St. Louis to the Terminal, but the cost is somewhat less in that way than it would be over the bridge.
Q. Your Ivory Ferry does not have connection with the incoming lines from the east and from the north, on the east side?
A. We have direct connection with some roads.
Q. But more with those that come from the south?
A. Yes sir, south and southeast.
Q. But from the east and northeast you have no connection?
A. I think we have direct track connections over there that are used sometimes, but as a general proposition we do not use them for transferring.
Q. How many transfer boats do you have at the Ivory station, used for general transportation?
A. We have two, one for passenger business, located a little north, and the tug and barge for the freight ferry.
Q. You mean the passenger ferry is one of the old fashioned ferry boats?
A. I don't know that we can say it is ours.
Q. It is hardly a railroad ferry, I take it then? You don't transfer cars on it?
A. No sir, we have but one freight ferry, and we have
8442 but one barge operating there with a tug.
Q. And that does not have capacity for very many cars per day, I take it?
A. Oh, yes, we can take over 28 cars at a trip, I think. And operating night and day we can handle a good many cars. Let me see (witness calculates).

Q. It is more a question of what you do than what could be done there?

A. We can handle more than 600 cars a day over there under favorable conditions. That is to say, in 24 hours we have made 12 round trips, and I believe even that could be exceeded if the necessity existed.

Q. What is the character of the freight handled there at the Ivory Ferry?

A. We handle all kinds of freight. We handle merchandise for the south. It goes that way, some of it, and we handle all our heavy traffic that way.

Q. That is what I was thinking. You handle coal into Carondelet, into the industries there?

A. Yes sir.

Q. And you handle chatts and stuff like that out of there?

A. We handle all our traffic across the river on the ferry. We do not make the same use of the terminals that the other roads do. In live stock we are obliged to do that, but we having our own ferry, make a much smaller use of the terminals than the other companies.

8443 Q. Relatively to your volume of traffic?

A. Yes, relatively to the volume of our traffic.

Q. But all the business you get from the east and northeast, whether destined to points in Missouri or points beyond, whenever it is competitive you are required to meet that peculiar condition at St. Louis, produced by the physical location of the Alton railroad?

A. We handle——

Q. Don't you handle live-stock over the Ivory Ferry?

A. No sir, in that case the Ivory Ferry would have to be operated at a loss, because it would only operate in one direction.

Q. You could not reach the Alton in East St. Louis without going through the terminal, could you?

A. The proportionate use, as I say, of the terminal is only the track on the east side, and not the bridge, consequently we do not make an extensive use of the terminals as the other railroads.

Q. You have to go through that terminal system, in some part of it?

A. We would make use of the tracks terminals on the east side, but none of the tracks on the west side, nor of the bridge. We would have to make use of the delivery tracks only on the east side of the river.

Q. And that terminal service would have to be absorbed

8444 by you?

A. Well, I don't know whether that is absorbed by us in both directions or not.

Q. At any rate, it has to be done?

A. You would have to get a traffic man to answer that question.

Q. The service must be done, and as a matter of fact the situation at St. Louis is such that there are railroads coming into the St. Louis community, not having reference now to city lines, from the east and from the west, from the north and from the south, and the lines

are bisected at that point; and no railroad coming into St. Louis from the north goes beyond St. Louis on the south. No railroad coming into St. Louis from the east goes continuously beyond on the west. There is an absolute bisection there, isn't there?

A. Generally, there is. That condition exists with all large trade centers. This is a general condition.

Q. And that physical condition compels the kind of handling at those points, in order to get the traffic from one road to another, that is properly characterized as terminal service or handling, isn't it?

A. Now there might be an expense incident to that—there is an expense incident to that, but it is not by reason of its trans-state character. The trans-state traffic doesn't need it. While there is an expense, it does not seem to me properly chargeable to
8445 trans-state traffic. It is chargeable to interstate or state traffic, because it occurs within the state with commodities or business in which the citizens of the state are interested.

There may be the accident of an expense occasionally and as you say the absorption of the charge, but I assume that in the general balance of that proposition, the absorption would be as between the delivering and receiving line.

Q. You cannot build up a railroad system with reference to trans-state traffic simply, then why should not the trans-state traffic bear the burdens incident to railroad system, as they naturally and necessarily develop?

A. They should bear their proportion of the expense of all facilities which they use, but——

Q. Isn't it a matter of pure theory, this assumption that running the trans-state traffic from the point of origin to the point of destination, as though the whole institution of the railroad was created for its benefit. Why should everything get out of its way? Why should it have the right of the road at all times. Why should it go out on the first train, behind the best locomotives, and everything else play second fiddle to it?

A. It seems to me that that is a little extreme statement of the condition. The trans-state traffic is a part of the through traffic and receives the same treatment as all the through traffic. Now
8446 so far as "playing second fiddle" is concerned, we may have a train going from Kansas City to St. Louis, which will contain cars originating at Kansas City, and destined to St. Louis. It will contain interstate traffic, and it will contain trans-state traffic. If that train goes through in an unbroken way, the facilities used by all classes of that traffic are the same. The trans-state traffic is given no greater benefit or advantage than the state or interstate. But that portion of it, the trans-state traffic, uses no part of the facilities that are away from the main track and the passing tracks, and if a railroad were built for trans-state purposes, none of those facilities would be provided by a railroad that did only that kind of business.

Q. If you have a railroad for trans-state business only, and had only such trans-state business as now exists, you could not possibly afford to operate it, could you, or you would have to lift your charges

so high that you would get your trans-state charges about as high as you have got the locals, wouldn't you?

A. The road would not be built under those circumstances.

Q. Precisely.

A. And I would say there are conditions in which the trans-state traffic has compelled the building of double tracks where there is practically no state or interstate traffic handled. Such is the situation, I believe, on one of the important eastern lines. There is such a proposition very closely realized.

8447 Q. But not here?

A. No sir, not here, but I was speaking of the fact that there might be such a thing.

Q. Even with your trans-state roads, you must for operating purposes have stations at intervals?

A. Telegraph offices at intervals.

Q. And stations of some kind?

A. A telegraph office. That is the rule. But we have telegraph offices where the buildings cost very little.

Q. Wouldn't you want to do better than that? Wouldn't you want to have supply stations to guard against accidents?

A. I mentioned in my direct examination that store houses where train supplies and such things were kept, was a proper part of the things made use of by the trans-state traffic.

Q. Because the trans-state train, like the local, may break down at any point?

A. Yes sir, they are subject to the same hazards.

Q. They may get a hot box or break an axle, or something of that kind, and you must have the means of repair convenient?

A. Yes sir. That would not be a matter, however, that would concern the orderly movement of that traffic. The orderly movement of that traffic would be presumed to be straightaway, and that would not occur.

Q. And that is more the thing we are "dreaming" of—and we awake to a report of an accident?

8448 A. I qualified my general statement that possibly there were some minor facilities incident to the straight-away movement that did not occur to me at that time. Now that illustration may be one of those. One cannot think of everything. I wish I could.

Q. What is the general character of the freight into this state, so far as your road is concerned. Begin with the freight from the east?

A. Well, that——

Q. I don't care for it in detail.

A. That would be a difficult question to answer. It covers everything. While Missouri is a greater producer than consumer, still she consumes generally the products of the other states, and I assume that there is nothing practically that goes into any other state that does not come into Missouri.

Q. Not challenging at all your statement, Mr. McPherson, that

Missouri is a greater producer than consumer, on what do you predicate that?

A. I predicate that on our own balance of traffic.

Q. On the balance of traffic between the east and the west?

A. Yes sir.

Q. That is all I wish to know about. So you have more freight out than in?

A. We have more freight out of the state than into the state?

8449 Q. Agricultural implements are almost entirely from the east and northeast?

A. Yes sir, that is their point of origin, but their initial point of shipment, they are usually ordered in such a manner that they are shipped direct.

Q. The same thing is true with respect to dry goods from the east to the northeast?

A. Into the local points of the state?

Q. Oh, no, into Missouri. I realize of course that they ship into St. Louis, and that St. Louis is the great distributing point, but take for example what you get in the way of dry goods, it would be from St. Louis or the east to the northeast?

A. From St. Louis?

Q. Yes.

A. Yes sir, that would be true.

Q. How about the general grocery commodities, such as sugar, salt, etc?

A. St. Louis is a distributing point on that. There may be reconsignments, but St. Louis is a distributing point, and so is Kansas City.

Q. What would you say as to commodities like groceries, that the larger part you get at St. Louis for distribution to the south and southwest, the distribution over your lines, you think most

8450 of it, so far as you are concerned, originates in St. Louis?

A. The business of distribution in the state originates most largely at the five wholesale points in the state, the distributing points.

Q. That would be St. Louis, Kansas City, St. Joseph——

A. Joplin and Springfield. The jobbers in those cities control the distribution generally. I think it would be admitted of the less than car-load freight, or general merchandise of the state.

Q. And also some carload business?

A. I presume there may be consumers who would take a carload, but as a general proposition the L. C. L. business is the distributive method, or way of doing it.

Q. And you start distributing from St Louis, and distribute over your entire line, so far as the influence of the St. Louis merchant extends?

A. Yes sir.

Q. Is it rather cut off some by the Kansas City man, as he goes that way?

A. I could only measure that by the traveling men. They seem

to blend their spheres of influence. In fact Springfield, and Joplin also, you find the traveling men for jobbers from all those towns perhaps on the same train, and possibly canvassing the same territory.

Q. You would start out your cars from St. Louis, and you would get as many break bulk cars as you could for points beyond
8451 Jefferson City say, if you were going out that way, and then have a distributing car for points inside Jefferson City, and you might put those break bulk cars in through trains, might you not?

A. They might go for a certain part of the trip in through trains.

Q. I will say Jefferson City, that is the first divisional point beyond St. Louis?

A. The railroad considers the efficiency of the service, not only as applied to what it gets out of the dollar expended, but also considers the efficiency of its service to the public; and to that end, it seeks the delivery of its merchandise to all of the points in the state at the earliest possible moment.

Now if there are five cars at St. Louis destined for distribution together to local stations west of Jefferson City, those cars would be put into the through train, and the local train in the morning would take them out and distribute them the next day after they were loaded. Whereas if they followed a local train from St. Louis through to their final destination, they would be 24, 36 or 48 hours delay.

Q. Therefore, you condense as much as you can the traffic that is destined beyond the first divisional point?

A. Yes sir, that is efficiency of operation, if I may put it that way.

Q. Exactly. Finally, however, every bit of that traffic becomes purely local business——
8452 A. That of the L. C. L.

Q. It all becomes purely local, whether it is local in this state, or whether it is delivered some where else. I believe you spoke of peddling it out from station to station?

A. Yes sir. On the L. C. L. not all of that finally is handled in local trains. There is this difference, that that train from St. Louis with the five peddlers from Jefferson City might have five less than car-load cars for Kansas City.

Q. Or for Jefferson City?

A. And there would be a distinction because it would extend to the average efficiency of the car.

Q. But as a matter of fact the state and interstate less than car-load are the same in that respect, that is either might be a car-load destined to a place like Kansas City, which would be within the State, or to Omaha, which is out of the State, but most of it gets broken up and at some place along the line is peddled out?

A. Either in this state or in another state?

A. Yes, as for instance the car for Kansas City or the car for Omaha?

A. Let me use Kansas City as an illustration. We would treat shipments from Kansas City, Missouri, to Kansas points, less than car-load, as interstate, conversely as testified yesterday, as to inbound shipments. Now that interstate traffic as applicable to the condition in Missouri is technical. There is the full efficiency
8453 of higher loading degree, because so far as that applies to Missouri you have the amount of freight in the car that was loaded initially.

Now the L. C. L. car that is destined to a point like Independence, or to points between Kansas City and Sedalia, would gradually lose its tonnage, its packages, as it progresses, and you have a much lower degree of efficiency through in the way of your ton miles, and at a greater cost as a matter of course. The same applies to the less than car-load business moving from St. Louis to Kansas City, and from St. Louis to interstate points.

If we take it strictly from St. Louis to Kansas City, then the state business gets the same advantage that the interstate business does. But comparatively that is a negligible quantity.

On the interstate business, however, less than car-load, moving to Kansas City through St. Louis, we get the full average efficiency of the car, because whatever it starts with from St. Louis, it carries through to Kansas City.

Q. Without going into that, all that I wanted to develop was that finally this traffic is all of the same general character, whether state or interstate, save and except that the interstate has a longer run and for that reason may have one or more divisions, be put into what you call through trains; but finally the beginning and
8454 the end is very much the same, whether it is state or interstate, except that the end is longer postponed?

A. No sir, it is not the same, because if it goes to another state you have expended several times the number of cars even to move it, as between state and interstate in the less than car-load business.

Q. But finally it comes to distribution in the same way of delivery in the same way?

A. Less than car-load traffic that goes from St. Louis to Kansas City would ultimately, after it left St. Louis, become state less than car-load traffic, and be handled in local trains, but it would not be handled in local trains in Missouri.

Q. I understand. I am getting at simply what becomes of it, and not the cost of handling in at the present time.

Mr. LADD:

Q. Now, Mr. McPherson, this exhibit 8, which was introduced by the Missouri Pacific as an Exhibit when the case was pending before the Master, purports to give the entire handling of freight in car-load lots at 88 stations on your road in Missouri during the month of October, 1905. It appears from this statement, which shows the number of tons in each class of freight, both state and interstate, that the average loading of car-load lots of state freight was 27 tons, and the average loading of interstate freight in car-load lots was 22½ tons.

8455 I understood you to say this morning, or yesterday, that that was apparently inconsistent with some opinion you had expressed, or statement you had made, and you said something about a switching proposition: what did you mean by that?

A. I don't know that I said that was inconsistent with any statement I had made, Mr. Ladd. It said it might look inconsistent with the statement I did make that as a general proposition the state cars were loaded lighter then the interstate cars.

Now I have not examined this exhibit. But from the physical conditions of the case we have such a predominant amount of this tonnage handled as state business in the St. Louis terminals, which I would regard as a drayage proposition, that if that were eliminated possibly these conditions would be different, and until I had an opportunity to examine, I could not answer the question.

Q. The first station is Howard: that is near St. Louis, isn't it?

A. Yes sir.

Q. That is one of the stations I presume you had in mind?

A. Yes sir, there is a good deal of clay handled in there from one part of St. Louis to another.

Q. That is one of the stations?

A. Yes sir.

Q. Would you include the next one, Coleman?

8456 A. Yes.

Q. Would you include Kirkwood?

A. Now as to Kirkwood, I would have to give that a little thought.

Q. You would not include any others?

A. Oh, yes, there are others, Sherman and Glencoe.

Q. I will ask you, perhaps you will have your assistant do that, to exclude from this statement Howard entirely, and see if the result will not then be an average loading of state freight 25.3 per cent and interstate freight only 20 tons.

Then exclude both Howard and Coleman, and see if the average loading of state freight will not then be 23.4 and of interstate only 20 tons.

Exclude Howard, Coleman and Kirkwood, and see if the average loading of state freight would not then be 23.3, and of interstate only 19.8 tons.

This is as far as I have gone, but exclude any you like, if you wish?

A. It may not be necessary to go to that length, still I will do so. I already would be able to explain why that apparently was the case.

Mr. CLARDY: The character of the tonnage is the same from all places, unless it be Kirkwood?

A. In the terminals, yes. This is raw product, in, and manufactured product out, and is merely a part of the yard.

8457 But the character of the tonnage on the eastern division cuts a very important figure in that matter.

The COURT: There is a question I want to ask you in reference to this trans-state business in St. Louis. I don't understand it.

Your eastern termini is St. Louis?

A. Yes sir.

Q. And the western termini of the New York Central is East St. Louis?

A. Yes sir, East St. Louis. I don't know that it is East St. Louis, Judge. I don't know just what that is.

Q. There is a Bridge Company or something else in there?

Mr. LEHMANN: In the sense you have in mind it is East St. Louis.

The COURT:

Q. We have here a car of freight from Pueblo to New York upon which the reasonable charges are $100.00. Your reasonable part thereof is $47.50. The New York Central's reasonable part thereof is $47.50. It costs you $5.00 to get the car from West St. Louis to East St. Louis. Now either this Bridge or Terminal Company, or your Ferry Company, or some one gets that $5.00. I can't understand what that has got to do with terminal expense.

A. I agree with you; I can't.

Q. You are not agreeing with me. I am asking you a question. You don't know what I think about it?

8458 A. If I knew the traffic end of the proposition——

A. I am giving this assumed case: it costs $100.00 reasonable charges, to get the car from Pueblo to New York. There is no complaint about the charge. Your reasonable part of it is $47.50; and the New York Central's reasonable part is $47.50. It costs $5.00 to get that car from West St. Louis to East St. Louis. Your Ferry Company or this Bridge Company fairly earns that $5.00?

A. And it is a part of the charge on the traffic?

Q. I have given you $47.50 twice, and that leaves $5.00 that somebody has earned.

Mr. HAGERMAN: As a part of the transportation.

Mr. LEHMANN: The fact is simply this——

The COURT: I am giving a supposed case, you know.

Mr. LEHMANN: The answer to that is, that inasmuch as that traffic passes from Kansas City to East St. Louis, and that is what was known down there as the "bridge arbitrary" the Alton having its line from Kansas City to East St. Louis, passing over its own bridge at Louisiana, did not have to go through the terminal situation at St. Louis, and, therefore, as they have explained to you about the basing points, the Alton made the rate, and the charge or expense for getting through the terminal at St. Louis, was absorbed, as it was said by the Company doing the business in competition with the Alton Road.

8459 The COURT: I never have understood what they meant by "the absorption of the arbitrary?"

Mr. HAGERMAN: That does not make it a terminal charge.

Mr. LEHMANN: It makes it an expense going through.

The WITNESS: And as to the Alton road there would not be any trans-state terminal service.

As the usual hour having arrived, recess was here taken until 2 o'clock.

After recess on Thursday, Dec. 17, 1908, the following proceedings were had.

The WITNESS: I would like to make an explanation of the trans-state terminal charge. My statement was that there was, from an operating standpoint, no terminal charges on trans-state business. Now if the roads absorb the rates charged, then the railroad has a disability. Instead of its rails connecting with the rails of the eastern road, it is obliged to employ intermediate rails of another road.

The COURT: Or a Ferry boat?

A. Yes sir, or a Ferry boat. And that is taken care of by the absorption of the rate charged for that intermediate movement. There is mileage there. It is accomplished just the same, and is a part of the mileage through from the point to the point of
8460 destination of the traffic, and it resolves itself into a question of the divisions that the railroad company is willing to accept as its portion of the rate for the through movement.

Like, for instance, it would accept the rate established by the short line, where as a matter of fact it moved the shipment more miles further between two points than the other lines competing with it employed. That would also be a disability. The long line having a longer line, it is a disability which the rate charged of course takes charge of, and the same is true as to the condition I mentioned of the disability that requires it to assume the movement of your freight over the connecting rails.

Mr. LADD:

Q. There is a distinct handling of the cars involved in that, isn't there? That is the eastern trains come in and are taken into the classification yard, and they shunt off their cars on to different tracks, where they are taken by the terminal company for convenience of business, making up as well as they can all the trains for one road, making up a train for one road and a train for another road, and they pull that over the terminal tracks to your receiving tracks, and deliver them there. And they keep a record of that transaction, so there is clerical work involved in that too?

A. There is a record taken of that car, which I provided for in my original statement, the taking of the car numbers by the yard clerk.

8461 Q. Your loss on freight particularly through theft.

A. I beg your pardon, but may I answer Mr. Ladd's question now?

Q. Answer it in your own way. I never mean to interrupt you, Mr. McPherson?

A. I want to answer it now because I have some papers in hand, which I wish to dispose of.

Exhibit 28, which Mr. Ladd inquired about, was not filed by the Missouri Pacific Company to show the loaded cars in tons, but was filed for the purpose of showing the greater empty car movement necessary to supply the wants of the state business over the interstate.

I am glad my attention was called to this, for the reason that while I had this in mind to give as my original testimony, in the multitude of other things I over-looked it.

In the state business for this month covered, I presume the exhibit shows that, it was necessary for the company to handle 2158 empty cars to supply the lack of balance that the state traffic makes, while it was necessary to furnish only 648 empty cars to supply the lack of balance in the interstate traffic. Consequently the company was obliged to handle 1511 more empty cars in order to care for its state business, than it was obliged to move to care for its interstate business.

Q. You mean for such of the business, state and interstate, as is represented on this exhibit?

8462 A. Yes sir.

Q. That is not comprehensive?

A. I do not know. I have not studied it to see.

Q. That is not on its face comprehensive of the total business, but only the business of those stations?

A. Now that was the point. The manner I intended to express that in my direct examination was this: that there is a lack of balance in the state traffic that does not prevail in the interstate traffic, and this is a good illustration. It is really better than I had for the basis of my conclusions.

We are obliged to move a great number of empty cars into Kansas City, and into St. Louis, to load at the freight houses. There is not the balance there. Less than car-load traffic is more outbound, and the empty car movement is a serious expense. It is an added cost, if I may so term it, over interstate traffic. And it would not apply to interstate less than car-load traffic at all. That would be an expense that the interstate less than car-load traffic would entirely escape.

Now answering Mr. Ladd's question further, it is true that the cars appear, according to this statement, each to contain a greater number of tons, but by examining exhibit 19, in the Missouri Pacific case, which is an exhibit predicated on the state's theory of the

8463 average ton mile, we show that the average ton mile haul of loaded cars in the interstate traffic is 104 miles. That is the car-load. That is to say every loaded car of interstate traffic, reduced to a common basis, travels 104 miles. Every loaded car in state traffic travels only 48 miles.

Now in reaching an average—and this was the basis of my testimony, of the loaded tons per car, we must observe this rule, and it is the average tons per loaded car mile. The average tons per loaded car that did not carry with it the miles hauled, would not be significant of any fact. And, therefore, on this statement as compared with the average haul it would be found that my statement was correct, for the reason that the number of tons per loaded car mile in the interstate traffic was almost double the loaded car miles in the state traffic from the figures given by Mr. Ladd in his question.

Mr. LADD: You say this statement was introduced for another purpose, but it is serving the purpose that I spoke about, isn't it: it does

show that all the freight handled in car-load lots at 88 of your stations in this state, during the month of October, 1905, the average loading of the state freight was 27 tons, and of the interstate freight only 22.5 tons. It does show that, doesn't it?

A. That is correct; and as a test of that question it would be meaningless.

8464 Q. You say it does not mean anything, but it shows that fact?

A. It does show that fact.

Mr. CLARDY: 88 stations selected——

Mr. LADD: We did not select them.

Q. But it did not illustrate the efficiency of those cars. After all that is the test, the efficiency of the performance of the cars; how much tonnage do those cars average on the road per loaded car mile. That is the efficiency of the cars.

If this statement were to have any significance attached to it, then a car loaded with 40 tons of clay, going into Howard, 20 miles, would mean as much as a car loaded with 40 tons going from St. Louis to Kansas City. Now there is a difference in the efficiency of that car. One would make only 320 ton miles, while the other would make over 11,000. So that one must come to a common basis, in order to reach the car's efficiency.

Q. Did you have some one examine what the result would be if you eliminated those points so near St. Louis?

A. I did, because I did not have time. I will be glad to do so later on.

Q. I didn't know whether you had or not. I think if you do you will find the result substantially the same.

A. Even if this be true, it would be meaningless as testing the efficiency of the car.

8465 Q. With the greatest deference to you, I still think the figures have some meaning?

A. I am not questioning you, but I would certainly like to be enlightened.

Mr. LEHMANN: I was asking whether the loss in the freight was not greater in the large terminals than in the small ones, and especially from theft

A. Yes, sir, that is true. There is a greater injury—you mean injury to persons?

A. No, to commodities you are handling.

The COURT: Theft?

Mr. LEHMANN: Cars broken into. I read in the papers now and then of very comprehensive thefts.

A. Those thefts are very largely unlocated.

Q. Don't they occur chiefly in the large terminals?

A. No sir, not chiefly. A car is exposed away from the large terminal, we have no watchmen there, not any company employés around there during the night, while in all the large terminals we make an effort to as thoroughly police the situation as we can.

Q. Don't you find the tendency of the vicious and the dissolute is to go to the large centers of population?

A. That is undoubtedly true.

Q. Where they are not so exposed to view as in the smaller localities, and for that reason your danger is greater in the large
8466 terminals?

A. That would be speculative, to follow it along that line Mr. Lehmann. There is a large tramp movement, tramps use the railroads, and they are ejected from the trains at little stations, and they retaliate in various ways. They subsist on the company.

But as to the general proposition of exposure to loss, what we call our "loss and damage," or casualty account, there is manifestly a greater exposure to personal injury loss in the large terminals, and that is great enough to be apparent.

Then there are other elements of loss than car robberies, which must be taken into consideration in this connection. We have about nine or ten divisions of losses to traffic, and merely taking the one item of robbery loss would not reach the truth.

Q. Have you such a system of accounting that you could locate the losses with respect to state and interstate traffic?

A. No sir, that would be impossible.

Q. There was introduced here, Mr. McPherson, exhibits 11 and 28, in connection with the testimony of Mr. Ellis, making a comparison of through and local passenger traffic expenses on the Chicago, Milwaukee & St. Paul railroad in Wisconsin; a number of trains were taken, local and through trains, for a period of days, be-
8467 tween 32 and 40, showing the movement expense of the trains, the passenger miles accomplished by each one, the expense per passenger mile, stated in miles; the number of local passenger miles, and the number of through passenger miles. Undertaking in that way to get an approximation of the expense of doing the local and the through passenger business.

Q. Has your company any statement of that nature relative to its business in Missouri?

A. I know of none.

Q. You are aware of the general nature of the tables to which I refer?

A. I heard a part of the testimony. I did not look at any of the papers.

Q. You heard enough to get an idea of the nature of the tables?

A. Yes sir.

Q. And your company has nothing of that sort?

A. Nothing that I know of. We have made no preparation of that kind.

Q. Have you attempted to prepare any table for any day or number of days, of the operation of trains over your road in the freight service, showing the number of through trains and the number of locals, the character of the transportation carried in each, whether car-load lots or less than car-load, and the expense of the movement of those trains; in other words, doing for the freight business
8468 substantially what is done in these exhibits 11 and 28 of Mr. Ellis on the passenger business?

A. By that you mean direct tests?

Q. Yes, you might call them direct tests.

A. No sir, I have not made any such direct test. It is a pretty expensive proposition.

Q. Do you know Mr. Kimbell of the Cotton Belt?

A. Personally?

Q. Yes?

A. Yes sir, very well.

Q. Did you hear him testify in this case?

A. No sir, I was not here. I was confined to my room with a sore throat.

Q. Mr. Kimbell presented a statement of operation on the St. Louis & Southwestern Railway in Arkansas, a statement showing the performance of one through train each day, between Jonesboro, Arkansas, and Pine Bluff, Arkansas, Nos. 15 and 16, 142 miles each. And one local train each day between Fair Oaks Arkansas, and Pine Bluff, Ark., Nos. 94 and 60, 145 miles. These tests were made during October, 1908, showing the tons one mile of commercial freight, car-load and less than car-load, state and interstate, and the totals, on the through trains. Then the same on the local trains, and then showing the number of trains that they run on their whole system; train miles, loaded car miles, empty car miles, ton miles of dead weight. The average of cars per train mile; the average
8469 loaded cars per train mile; the average tons commercial freight per train mile; the average tons per loaded car mile. And less than car-load the same. For car loads the average tons dead weight of commercial freight, and the same for less than car-load; and the total. The per cent of gross weight to dead weight of train, 60%.

Then the wages of the train men, the engine men, over time, and fuel, and giving the total train cost as to those items. The average cost per train mile, the average cost per commercial ton per mile. All this as to both through and local trains, and the summary of that.

Has your company made any statement of that nature covering any period of time or any portion of your system in Missouri?

A. No sir, that would be a direct test for which special arrangement would have to be made.

Q. Do you think that would be somewhat pursuasive if it were done, as to the facts?

A. I think it ought to be.

Q. That would be true if you took a fairly typical time and typical train?

A. Yes sir. Those that would illustrate the conditions.

Q. That has not been done for your road, so far as the State of Missouri is concerned, and so far as you know?

A. No sir, I know that has not been done, because if it
8470 had I would have known about it.

Q. It would perhaps be done under your supervision and direction?

A. Very probably.

Q. Do you have mixed trains where there is but one passenger car used on the train?

A. Yes sir. We have several where there is but one passenger car used on the train.

Q. The car on that train serves the purpose of a caboose also?

A. Sometimes.

Q. Doesn't it usually dispense with the caboose?

A. I should say perhaps half and half in our practice.

Q. I asked you with respect to trans-state shipments, which would involve the use of your road in part, and in part the use of another road, and was not able at the time to suggest to you where that condition might prevail. Isn't that true as to shipments from Pueblo to Chicago? Don't they often come via the Missouri Pacific to Kansas City, and leave Kansas City for Chicago via the Wabash?

A. Well, they might do that. I don't know whether we would do that or not.

Q. The Missouri Pacific having a haul through Missouri from the state line to Kansas City, and the Wabash, taking it from Kansas City to Hannibal?

A. That would be entirely possible.

8471 Q. There is a tendency on the part of the Missouri Pacific and the Wabash to cooperate in some measure, isn't there?

A. Why, all roads, Mr. Lehmann, interchange freight with each other. There are some times when it is desirable for one reason and sometimes for another.

Q. I asked you with respect to the use of branch lines by trans-state shipments. You said you could not think of any, and I was not able at the time to suggest any. How about shipments from Batesville, Arkansas, on the White River division of the Iron Mountain, destined to Pittsburg, Kansas: wouldn't they use the branch line from Carthage to Asbury en route?

A. In the case of a shipment from Pueblo to Chicago, there would be no branch line used.

Q. I am asking you now about a trans-state shipment from Batesville on the White River branch of the Iron Mountain destined to Pittsburg, Kansas. Wouldn't such a shipment use the branch from Carthage to Asbury?

A. That would be possible if such a shipment were ever made.

Q. The train miles is the long established basis for dividing various expenses between freight and passenger traffic on a railroad, isn't it?

A. The train mile, as between freight and passenger traffic?

Q. Yes.

8472 A. That would be the case in expenses common to both.

Q. Those that you can directly locate, of course, I know would be assigned to the one to which they belonged?

A. Yes.

Q. That is what I mean. Is it your understanding that is correct as to maintenance of way and structures expenses?

A. In the absence of anything more definite, I see no reason why it would not be.

Q. What is it that wears the track? Is it the number of wheels passing over the track?

A. That is a refinement of analysis that would require an engineer's opinion.

Q. Where one railroad uses the track of another, and I will call your attention to a specific case, which may be more or less within your knowledge, Mr. McPherson, take the use of the Wabash tracks by the Colorado Road at St. Louis (St. Louis, Kansas City & Colorado). The division there is on a wheelage basis, isn't it?

A. That is the usual basis of maintenance.

Q. In other words, when railroads deal with each other, and there is a joint use of one track, the usual division that has been made between the proprietary company and the tenant company, as you might call it, has been on a wheelage basis rather than on the train mile basis?

A. That is correct.

8473 Q. Doesn't that rather indicate a uniform opinion on the part of railway people, that that is a proper basis for division; that is what they pay when they pay each other?

A. We do a great many things on railroads for convenience and to save labor. I assume it would be possible to reach very much more correct conclusions if we had the time, and would go to the expense of employing larger clerical forces.

I have in my testimony sought to show the relations between these factors for reaching the truth. And I do not state that any of them reach a positive result. There are so many intangibilities, like the matter of the Colorado Road, using the Wabash tracks in St. Louis, that might be done for switching reasons.

Suppose we use a joint track for entirely road movement, as between freight and passenger trains, there is the question of speed and all those things, which might have an influence on this question. We don't know how much. Consequently we leave that refinement, which the — may sometime develop in the future.

Q. Formerly, and until the last few years, the C. B. & Q. came into St. Louis over the tracks of the Wabash from St. Peters down entirely beyond the switching limits. There was a road movement of the train. Now the division of expenses for maintenance of way and structure there, as I understand, was on the wheelage basis, and isn't it so universally?

8474 A. Well, if I were able to make an agreement to-morrow with another railroad for sharing operating expenses, I would undoubtedly take the wheelage basis. But there are certain elements in there which are accepted. There is the engine, which has more wheels than the wheels of the car. We endeavor as far as we can, by the application of an actual known condition, to neutralize the inequalities which we know to exist.

Q. If you divide on a train mile basis rather than on a wheelage basis of division that would be more unfavorable to the passenger business than the mileage basis would be?

A. Oh, no, Oh, no, there are other elements that enter into that.

Q. If you were dividing upon the wheelage basis in Missouri, you would charge the passenger business with a less proportion of the expense of maintenance of way and structures, than if you were using the train mile basis, wouldn't you?

A. I assume so.

Q. That is all my question goes to?

A. It might, or it might not. It would depend again upon the balance of traffic, in fact it would depend altogether on the balance of traffic, because——

Q. Isn't it a fact in this state, and especially isn't it true over your road?

A. I had not quite answered your other question, Mr. Lehmann.

8475 Q. I beg your pardon, I did not mean to interrupt you?

A. Now, if you divided on a wheelage basis, then you would be dividing the expense of your empty cars as well as your loads. Now the empties did not contain any traffic. But your passengers all contained traffic. While a large part of your cars in your freight trains are empty?

Q. I am not asking you whether the mode is a proper one, but as to the result: whether the wheelage of freight trains would not make a larger factor than the mileage of the freight train, as compared with the wheelage of the passenger train, and the mileage of those trains?

A. That would produce undoubtedly a different proportion as between the two. There is no question about that, I think. But that basis would ignore the different character of the services. That is to say the difference in speed and many other things.

Q. Do you consider the value of the commodities transported in considering the relative cost of transporting state and interstate traffic?

A. I did not get that question.

Q. Did you consider the value of the commodities transported, in determining the relative cost of transportation of state and interstate traffic?

A. I have taken that into account in my conclusions. That has been one of the thoughts in my mind.

Q. For what reason?

8476 A. For the reason of the relative service given or required for the different classes of commodities, and the exposure to risk.

While the freight department pays the claims that are made upon a railroad company, yet it turns around and charges them to operation directly. That is an operating expense, under the Interstate Commerce Commission's classification, and inasmuch as the amount of that claim depends upon the value of the commodity, we cannot ignore it, when it enters to the extent of half a million dollars or so a year in our operating accounts.

Q. I quite agree with you there.

How do you consider that in your determination of relative cost.

Do you consider that as one of the factors making a greater cost on state than interstate traffic?

A. Not directly. I consider it as a factor making the cost on the traffic. So far as the relative proportion between state and interstate traffic is concerned, in the traffic as I know it, I applied that as a circumstance in reaching my conclusion. I cannot say to what per cent. As I stated yesterday, there are many things that enter into a conclusion on any subject, that you cannot reduce to a demonstration.

Q. Isn't it a fact that the higher class commodity, higher class as to value, predominates in the interstate shipments?

A. I don't know as to that. I suppose you would mean
8477 bullion by that?

Q. I suppose gold bullion stands almost at the top? I don't know anything that would be more valuable. But take freight, packers' products and poultry products, and so on. Generally speaking isn't there a larger proportion to cover mileage in the state products, the mine products, sand, stone, coal, lead, zinc, clay, and other things of that kind?

A. I can say that the greater portion of the losses that the railroad company pays is for merchandise. There is where the great expense to the railroad comes in. There is the package freight. You are dealing with a less than car-load that you transport in a thousand units, as against one unit of determination in car-load traffic.

Q. Stock losses are pretty heavy, aren't they?

A. Yes sir, stock losses are pretty heavy.

The COURT: Not from theft?

Mr. LEHMANN: I am speaking now of losses of all sorts.

A. These are losses on account of delays.

Q. And the longer the distance, the greater the value of the commodity, and the greater the susceptibility to injury, which would be true of meat products and fruit products?

A. Not so much meat products. Suppose we wreck a car of meat, we would not lose that meat. It would be practically all salvage.

But if we wreck a car of merchandise then things smash, be-
8478 cause they are of a different class. And the proportionate loss we find, the great burden of it, and the one that causes the most anxiety to the operating man, is the merchandise.

Q. Do you still have claims for fruit and meat spoilt, or is that eliminated by the use of the iced cars?

A. We don't have many claims for meat spoiled, but we sometimes do for fruit spoiled. But they are so small comparatively that they are infinitesimal; they are negligible.

Q. You had one of your assistants, Mr. Adams, I believe, count up the way bills on November 8?

A. Yes sir.

Q. Showing five days, five cars a day, and the total of way bills for the five days was 317?

A. That is correct.

Q. How many of those shipments were interstate?

A. Those were all state.

Q. You took a local car?

A. Yes sir. My inquiry was to take five cars of less than car-load freight loaded at St. Louis for local points on the Missouri Pacific Railway in Missouri.

Q. You confined yourself absolutely to local business?

A. Yes sir.

Q. And to state business?

A. Yes sir.

Q. Where did the freight come from that was loaded into
8479 those cars?

A. That freight was delivered at the House in St. Louis by St. Louis.

Q. Transfer teams from across the river?

A. No sir, I don't know that that was the case. That is very doubtful. That kind of traffic does not come from across the river. If that traffic comes from across the river, that would be loaded at our station at East St. Louis, and moved down to the Ivory transfer.

Q. You estimated, I think, the station and yard expenses to be equal to the expense of maintenance of way and structures and maintenance of equipment on your line?

A. Yes, substantially so.

Q. I observe that on the Frisco the station and Yard expenses are 24.4% of the total operating expenses for freight; and the maintenance of way and structures and maintenance of equipment expenses are 42.1 or nearly twice as much as the station and yard expense: is there any reason for such a difference as that between the Frisco Company and yours?

A. The reason is that you have taken the operating expenses assigned to freight, and not taken all of them.

Q. Would the passenger affect the division much, especially on your train mileage theory?

A. Oh, yes.

Q. Would it affect the proportion?

8480 A. Taking your maintenance, it would cut a good deal of a figure. Applying the station and yard expenses to the freight part, I mean.

Q. Well, if you are adding the passenger expenses, of course that would increase the total of maintenance of way and structures, and maintenance of equipment account, wouldn't it?

A. I would have to turn to the table and follow you thro'.

Q. Have you a table showing those things on your line?

A. I believe I have. For the six months ending December 31st, 1907, the station and yard service chargeable to freight operating expenses amounted to 25.9%. Maintenance of way and structures, and maintenance of equipment were 16.2, and the maintenance of equipment 18.7. When I testified I presume I should not have been quite so positive. I took those relatively.

Q. Isn't that an abnormal relation between those different items? Isn't that a very low percentage for the maintenance of way and structures?

A. No sir, not necessarily. The expense for maintenance is governed by conditions. That will vary with different railroads, and on different parts of the same railroad.

Q. And different years? That is you may do much more in one period than in another?

A. And in relation also to the branch line proportion of the main mileage. We have in Missouri a large proportion of our track, which is branch line mileage.

8481 Q. What proportion of your mileage in Missouri is Branch line mileage?

A. About 25%.

Q. Then 75% is main line?

A. Yes sir.

Q. You use both main and branch lines for both state and interstate traffic?

A. Yes sir, that is, the interstate traffic is the limited definition of interstate, excluding the trans-state.

Q. And you have no line of your road, and no portion of your line that is used exclusively for state traffic?

A. No sir. I would answer that generally, without giving it very much thought, that there would be a possibility of its common use.

Q. And that is true of every train you operate, with the exception of a few suburban passenger trains?

A. That would be true except of the suburban passenger trains. They are all used for both classes of traffic, state and interstate.

Q. The same thing is true of both freight and passenger, except the suburban passenger trains?

A. Oh, yes.

Q. And the volume of your traffic is shown, I believe, by the statement here——

A. I want to explain why I made that positive statement,

8482 that maintenance of way and structures. The carbon copy I have is a little blurred, and I took the figure 8 for a 3.

Q. 72.44% of your total tonnage is car-load freight, as shown by Exhibit 19 (which was introduced by the State in the hearing of the Missouri Pacific case before the Master, Mr. Schofield)?

A. Is that ton miles or tons?

Q. That is tons.

A. Those are conclusions drawn from the figures presented in Exhibit 19, aren't they?

Q. They are on Exhibit 19. You will find it in the second column of figures, 72.44?

A. That is 72.44 of the entire freight traffic in tons?

Q. That is tons?

A. Yes sir.

Q. Have you a statement there showing the amount of that that is trans-state?

A. The calculation was made, Mr. Lehmann, on column No. 7, the ton miles, which is the reflection of the condition.

Q. Meaning that the average haul would be 104 miles, and the distance through the state is how much?

A. What is that?

Q. That gives for the length of haul 104 miles, and the distance through the state over your main line is what?

A. 283 miles.

8483 Q. Would the conditions as to trans-state and merely interstate be much the same on your road as on the Burlington, would you say?

A. I don't know about that. I applied to this table also Exhibit 20 filed by the state, which gave the ratio of trans-state in that particular exhibit.

Q. I didn't observe that. That is for three days?

A. I did not take the time.

Q. It is stated here "statement of tonnage of car-load freight on ton mile basis, handled in Missouri by the Missouri Pacific Railway, as the result of way-bills made on October 1st, 2nd and 3rd, 1905?" That gives the through interstate 1,358,754 and a fraction ton miles. On second class interstate 1,763,755 and a fraction ton miles, making the percentage of your total for through interstate 37.021?

A. That is the percentage of all traffic, isn't it?

Q. Yes, I say the percentage of the total?

A. The total freight traffic?

Q. Yes. Second class interstate 48.056 and state 14.923 or practically 15%?

A. Yes sir.

Q. After eliminating the 37% of through interstate, or trans-state traffic, you have more than three times as much so called second class interstate, as you have of purely state traffic. It is 48 to 15?

A. Yes sir.

8484 Q. And the 63% of second class interstate traffic, and the state traffic hauled over the main lines, and on the same trains, to a large extent?

A. As the trans-state?

Q. No, the trans-state freight, and this second class interstate, making 63% of your entire traffic?

A. The 63% of the entire traffic we must assume uses all the facilities provided.

Q. Yes?

A. While the 37% uses only part of them.

Q. This through interstate as put here, I am advised, includes all of the trans-state traffic, whether it passes through the state on one road or two, and the branch or the main line, and would include through stock shipments that you might have to unload and reload in the state, under the legal requirements as to food and water. But my inquiry is directed more to the second class interstate and the local. That goes on the same kind of train?

A. That unloading and reloading would be done only at one place. We have special feeding yards where stock is unloaded when it reaches the limit of its authorized time. That would be one of the minor facilities. I am glad you called attention to it, because I knew undoubtedly something of that sort would escape me. I have tried to cover the entire ground.

8485 Now I am ready to answer your second question. You say that would leave 63% of the entire traffic handled by the company.

Q. Using practically all the facilities in common?

A. Yes sir, that is it exactly.

Q. That might go over the main line, or any branch, or might stop, or be picked up at any station?

A. That is right.

Q. Because it is either destined to a station in the state, or originates at a station within the state?

A. That is correct.

Q. It is handled at the same stations, and by the same agents?

A. Yes sir, there would be no division of labor in that respect, except such as was incidental to a special traffic that was interstate and not state, interstate altogether that required some special kind of service, but that would be negligible as I look at it now.

Q. I should think so.

You say taking into account the value of the commodities which are transported, you had two reasons for that: one we have gone over, and that is the greater risk of loss and therefore expense to the company, arising out of the greater value of the commodity in case of its loss, and also about the service you render. What did you mean by that? That you were entitled to more where the commodity was of greater value, or that you were rendering a higher service?

8486 A. I used the term there character and value.

Q. I thought you spoke of the service in that connection also?

A. I did. Service as applied more especially to the character, and claims to the hazards of value.

Q. Explain that?

A. The character of the traffic was a circumstance I used in reaching my conclusion, as was also the hazard.

Q. The companies have always, haven't they, based their charges in some measure upon the value of the commodities transported, independently of this element of insurance, as we might call it, the element of risk?

A. I am not a competent witness on the making of rates, or the building of rates. In testifying to that on direct examination, I drew a conclusion from the fact that 14% of the state traffic earned 25% of the freight revenue. So I assumed from that, that that must be taken into consideration, although I am not familiar with rate building.

Q. As a railroad man you are not entirely divorced from the traffic department. You know the people engaged in it, and you hear some of their talk, and don't they take into account the value of a commodity as affecting the rate proper to be charged for it, and haven't they always done so?

A. I take this for example: I will use a physical illustration, one that I know. I do know that the merchandise carries a higher rate. Now that takes into consideration, I am satisfied, it

8487 must have done so, because it could not be reasoned out any other way, both the character of the service performed, and the value of the merchandise. And that being divided into 1st,

2d and 3d classes, etc., indicates that there is a difference even in that.

Q. The element of insurance is to cover the greater hazard incident to the transportation of property of greater value, and that would simply make you whole as to that, I presume. If it is worth 2% to insure, and you charge 2% more, you are really not charging any more to carry that than to carry a lower class traffic, if you are getting simply the insurance rate in addition?

A. With the insurance did you consider getting the insurance outside, or making your own insurance?

Q. I am treating it as getting so much, whether you get it outside, or carry it yourself. I am treating it simply as 2%. Here is coal, and the insurance element is negligible. Here is a commodity of much greater value, but the risk incident to it is measured by 2%. If you add simply 2% to the coal rate, you would be adding only 2% of the value of the coal and only protecting yourself against the extra hazard?

A. There you are taking into consideration only one element; and character and value are almost inseparable.

Q. I am saying if you take nothing else into consideration, you are reali*ng* hauling the stuff for the same rate you are hauling
8488 the coal for, and if you add only 2%, that measures the hazard element?

A. I wouldn't like to answer that without thinking it over a little.

Q. What I wanted to get at was this: If you were hauling say tea instead of coal, or if you please grain, and you haul it in the same train, and say that the hazard incident to tea as against grain was 5% of the freight rate, would you add still more than that to the tea rate on the theory that the man who was shipping the tea, shipping a commodity of so much higher value, could afford to pay more, and ought to pay more for the transportation of the tea, than the man paid for the transportation of the grain? In other words, you, take into consideration the element that you are transporting so many more dollars worth in one case than in the other?

A. I did not reach my conclusions from that direction.

Q. I am asking if that is not a fact?

A. I do not know until I examine into it what relation it bears. I reached my conclusions from the actual facts.

Now we might transport for three months the traffic over our line between Kansas City and St. Louis, without a wreck that would be attended by any considerable amount of damage, or we might have a single wreck where the damage would be very great. In settling the losses that arose from that wreck we would find that a very small part of the tonnage of that train would bear the bulk of ex-
8489 pense of settling that particular loss that is charged to our transportation. It is the individual incident, and in considering the matter on your farm product, I think perhaps it is. But I would have to study it some and digest it. I would determine it from the expense, rather than from the insurance view point.

Q. I was trying to eliminate the insurance view point. Don't you know, as a railroad man, that one element entering into the business of the roads for the transportation of freight, is to take into consideration the character of the freight, and to charge—using a phrase which I always thought was an unfortunate one, because it was misconstrued—"all the traffic would bear?" In other words, charge according to the value, which I think was what was intended by that phrase, charge according to the value of the commodity transported. It has been construed to mean all they could get out of it, but I don't think any such thing was intended. The tea would stand more than the corn.

A. It is obvious something must have been intended in that direction, from the fact as I illustrated it before, that 14% of the ton miles should yield 25% of the income.

Q. The element, then, if I am right in my suggestion, as to the manner in which railroads have fixed their rates, and I refer to the entire period of their history, and particularly to the time when they were unconstrained by law—they have considered the value of the service to the person receiving the service, and where the value has been greater they have charged more for it. I want to
8490 ask you if you don't think that is a just and proper element to take into account?

A. Well, in the general handling of human affairs, the value of the service rendered should cut a figure in the charges. However, as applied to the question of rates, Mr. Lehmann, I have associates in the railroad business who have devoted 35 years to that question, and if I should propound that inquiry to them they would be even more confused than I am; and propounding it to me, to one who has given it no study, you see how far you might get? If I should hit it, it would be purely accidental.

Q. We will eliminate the difference between the traffic man and the operating man. Here is a fixed or arbitrary train, going from one place to another place, with 20 different stations between, at each one of which that train is predestined to stop?

A. How many stations do you say?

Q. 20, but take any number you please. It is predestined by its schedule to stop at each one, from the beginning to the terminus. Now let it be either a freight or a passenger train. If a passenger train, people getting on and off along at all the stations. If it be a freight train, freight being taken on and off at all the stations. One crew doing the work. One set of station men doing the work incident to that. Now tell me if you do not believe—tell me if Mr. McPherson does not believe, that the fair way of basing the charge for the service there is upon the
8491 value of the service to the person to whom it is rendered? Charge the man who travels ten miles for ten miles. Charge the man who travels 30 miles for 30 miles.

I will put that question not to the Assistant General Manager, but I will put it to Mr. McPherson?

A. The man who travels ten miles, you are rendering a greater service than you are rendering to the man who travels 20 miles,

because you are rendering a service to two men. You are rendering the service to two men in one case, and to only one in the other.

Now taking it that your length of haul is 94 against 31, you have in the one case the gentleman traveling 94 miles; he is a single individual; he comes in the train, is located, you have his baggage loaded, and you are done with him for 94 miles. Now you must stop your train three times. You have got to take another man on, who gets on with your man going 94 miles. This man has his baggage loaded, but after he has traveled 31 miles, you must stop and let him off, unload his baggage, and there you find a new face. This second man comes on and takes the place of the other man. He takes his seat, you load his baggage, and after you get 30 miles the train stops and you met him off and you put off his baggage. At that place a third passenger with his baggage applies for that vacancy and it is given to him.

Now you have rendered service to three men, and, Mr.
8492 Lehmann would you undertake to do business in that retail fashion and say that it costs you no more than doing business wholesale?

Q. I would say in the case I put——

Mr. SPENCER: He said in the case he put.

Mr. LEHMANN: I would say the case I put, the differences are absolutely negligible.

Mr. CLARDY: Well, now, take this case?

A. I should say the value of the service to that particular individual was the same, but the cost of giving to him was greater.

Mr. LEHMANN: Take the situation on the Chicago, Burlington & Quincy Road, and the stations Creston, Vallisca and Chariton. Here is the C. B. & Q. running through Iowa, and it goes through those towns. From each one of those towns there is a train going to St. Joseph, Missouri. They meet, forming an apex at St. Joseph. The state line between Missouri and Iowa runs somewhere between Creston and St. Joseph, or Villisca. There are a number of stations on each line in each of the states, Iowa and Missouri. A passenger train leaves each one of these three towns for St. Joseph every day; a regular train, scheduled to stop at all of the different stations indicated. There is a return train of course.

Can you give a reason for discriminating in the charge for the travel over these lines between that which is state and that which is interstate?

A. In discriminating as to the expense?

8493 *A.* As to the charge. Wouldn't you as a railroad man, left to yourself, unconstrained by law, put that upon a mileage basis, because under the circumstances indicated, the difference of cost would be negligible?

A. I should answer yes, if the length of haul was the same, and the train stopped at each station regularly on its schedule, and no additional force was required for either class of traffic, that would depend on those factors.

Q. In other words, the fact that a man got on and off the train at a station in Iowa would not make you charge any more per mile

than you would charge the man who got on and off the train at Villisca and rode down to St. Joe, or vice versa?

A. No sir. That is really branch line service. That is to say it is really local train.

Q. But they are interstate?

A. Yes sir, they are interstate, but that is an accident, their being interstate, they are still local trains.

Q. And you would predicate your charge, left entirely free to make your charge as you thought proper, upon the basis of the mileage traveled by each passenger?

A. I would take into consideration the length of haul, because it has got to come into any general calculation. But there is a condition of these local trains, the length of haul is the same, and no additional employés required for the purpose of taking care of the service, then I should say that expense was equal.

8494 Q. As between state and interstate?

A. As between state and interstate. That is a local proposition.

Q. And the difference in length of haul would not enter into the calculation at all, with you?

A. Oh, yes, it would enter into the calculation with me, because it must go into the general results. The length of haul, if no other employé was needed to handle the baggage, would not affect it.

Q. Have you made up any statistics which will show the number of passengers traveling in the ordinary coach, what is called the day coach, and those traveling in Pullman or Parlor cars?

A. No sir, I have not made up any such statistics.

Q. You have not any statistics of that kind?

A. Not that I know of? I have never heard that we kept any such statistics, and I think it is extremely doubtful.

Q. You alluded to the handling of baggage; local travelers, and especially those who travel a short distance, do not have any baggage except hand baggage do they?

A. Why yes, the great difficulty we have is that very reason, handling the sample cases.

Q. And those you carry for two cents, although the traveling men were the men who had a great deal of baggage. You did that

8495 before the two cent law went into effect?

A. I don't know about passenger rates or mileage tickets. I never bought one that I remember. I don't know that I ever looked at one with any degree of care.

Q. Do you know what percentage of your local travel on passenger trains was made up of the two cent mileage, usually accompanied with a full complement of baggage?

A. I don't know. I have no information on that.

Q. You spoke *kust* now of the baggage. and you did in your direct examination, that there was the possibility of an amount of baggage which in weight would almost equal the weight of the passenger. That, so far as local traffic is concerned, is utilized almost exclusively by the commercial travelers, isn't it?

A. No sir, I wouldn't say that, almost exclusively.

Q. Largely?

A. It forms a considerable part.

Q. Does that also mean that those men very frequently have you term "excess baggage"?

A. Yes sir, excess baggage.

Q. That excess, of course, is paid for?

A. Yes sir, that is paid for at the established rates.

In my testimony I used the expression that the station and yard expenses were equal to maintenance of way and structure and maintenance of equipment combined. That was due to a broken figure in my carbon. Station and yard terminal expenses are 74.2% of the total maintenance of way and structures and maintenance of equipment expenses.

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8497 P. S. EUSTIS a witness of lawful age, being duly produced, sworn and examined on the part of the complainants, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. Mr. Eustis, what is your position?

A. I am Passenger Traffic Manager of the C. B. & Q. Railway Company.

Q. Your system operates through what states?

A. Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, South Dakota, Colorado, Wyoming, and Montana.

Q. What has been your railroad experience, the length of it, and the various positions you have held up to the time you reached your present one?

A. From 1876 to 1881 I held various positions from Janitor up, with the Burlington Road at Omaha, in the Freight and Passenger Department, but chiefly Passenger. In 1881 I was put in charge of the Passenger Department for the lines west of the Missouri River, as General Passenger Agent. In 1881 I was moved to the parent road, the Chicago, Burlington & Quincy, east of the Missouri River at Chicago, as General Passenger Agent. In April, 1902, I took my present position as Passenger Traffic Manager in charge of the Traffic on Passenger trains all over the system.

Q. So that starting in from the ground, and going up to your present position, your experience has been practically with
8498 the Burlington System, and it has been in all parts of the Passenger Service, until now you are in charge of the whole thing?

A. Yes sir.

Q. In the State of Missouri what is the general character of the lines operated by your system as to through or interstate, and local and state business?

A. Much the same as in any other states east of the Missouri river and Nebraska. We have several main lines and quite a lot of branches. There are something over 1100 miles in the state, and we have what we call several Main Lines.

Q. So that your system in Missouri is practically made up of lines that are typical as through lines, and also as branches?

A. Yes.

Q. If you take in your relations to this business, the duties you are performing as a railroad man, have you become familiar with the question of whether it costs more to do the state passenger business than it does to do the inter-state?

A. I think so.

Q. And what in your judgment is the extra cost? How much more does it cost to do the state passenger business than the inter-state, taking it now as a whole, and bearing in mind all the classifications of the service?

The COURT:

Q. Passenger, you mean, Mr. Hagerman?

8499 Mr. HAGERMAN: I am not going to bother with the freight matter in the Burlington case. I am not going to introduce any testimony on the freight part of the Burlington case, because under the act of 1905, we went fully into the question of freight matters, so my inquiry is related now to the passenger business only.

The COURT: You mean you went into that question fully before Mr. Schofield, the Master?

Mr. HAGERMAN: Yes sir.

The COURT: Of course that testimony I have not seen.

A. I am of the opinion that there is a great difference in the relative cost of handling through inter-state traffic, whether it is trans-state or merely inter-state, and local traffic, according to the conditions that exist. I have tried to come to a definite conclusion about it, as to the State of Missouri, and I find that on parts of our line in Missouri, there is no doubt that it costs double to handle the local business of what it costs on the average to handle all business, or double what it costs to handle inter-state traffic where we have it. That is particularly true on the lines where there is very little traffic of any kind, and that is practically all local.

But on the whole I conclude that it costs us not less than 25% more, probably not as much as 75% more, and likely fully 50% more, in the state of Missouri, to handle local traffic, than it does to handle through traffic.

8500 Q. Taking the thing as a whole, what do I understand would be the percentage?

A. 50%.

Q. 50% more as a whole proposition?

A. Yes.

Q. Will you please give some examples, upon actual operation of your line, as to parts of the road where the extra expense is located by way of comparison of certain parts of your line, if you have any in mind?

A. I have not committed to memory, or got with me, figures that will show any one place. But I have gone over a whole lot of things for the purpose of arriving at a conclusion, and I find that on more than 3,000,000 dollars passenger earnings in the state of Missouri in the last year, 48% only was earned on local traffic—that is, traffic having origin and destination in the state, and that 73% of all the passengers we handled were local. That is, 73% of all the passengers we handled were local, with the usual local short haul, giving us about 46% of the total passenger miles, and, as local business is at a little higher rate as a rule, 48% of the earnings.

With the further idea of trying to separate the two kinds of business, I classified our trains. It was quite a difficult job, but I concluded that 62% of all the passenger train miles were trains that carried practically nothing but local traffic. So with 62% of the train miles, 73% of the passengers carried, gave us only 48% of the revenue. From that I conclude that the cost of earn-
8501 ing 48% of the revenue was more than 48% of the total expenses, a good deal more.

Q. The inter-state business is in the main a long haul business, while the local business is relatively a short haul?

A. We made figures that show that. Our local passenger haul is about 31 miles, and our inter-state passenger haul is about 100 miles. It was 99 miles, I think.

Q. What would you say as to the question of terminal expenses? Take the state passenger, and how many terminal expenses are there as to him?

A. It is obvious that we furnish for every local passenger two and sometimes three, and in some cases four or five terminals, and for the inter-state passenger, we furnish one, and sometimes two, as was shown here. But there is always one less terminal furnished for the inter-state than is furnished for the local passenger.

Q. There might be such a thing as changing from one train to another, and so on?

A. Yes, sir, at Junction points, and then again at another junction a change. But the local passenger has always one more terminal provided for his use than the inter-state passenger has.

Q. How about the trans-state passenger?

A. Well, in the passenger business we have very little of that, if any. Our passenger train service runs from Chicago, say, through to Kansas City. That does not provide any trans-
8502 state service.

Q. Still it would be a trans-state passenger, if it stepped on to the M. K. & T. or some other road going out of Kansas City?

A. Yes, but we have furnished in that case only one terminal.

Q. The change is practically from car to car?

A. We have furnished only one terminal in any case. Where he is going through to the other line, the use of the terminal is limited. Where he is a trans-state passenger, in the way you describe him, he uses the terminal only to a very limited extent.

While you are speaking about that question of how the increased

cost of local business is illustrated, I would like to give a conspicuous example.

Q. I wish you would do so.

A. I think it is much more difficult, perhaps, to give examples that are worth a great deal in the passenger business than in the freight, owing to the way the lines run, and the way the trains run. When I found that 62% of our train service was local, I proceeded to trace the reason for that, and found that a good deal of it runs on a line where there is no other train service. Practically nothing but a service for the local business.

I took our Carrollton Branch as quite a good illustration of that.

It is true the train service runs from Burlington, Iowa, to
8503 Carrollton, Missouri——

Q. Crossing the state line?

A. Yes, crossing the state line at Alexandria. But that train does nothing else in the state of Missouri, or so little through business that it is not worth while figuring on it; it is purely a local traffic having origin and destination in the state of Missouri. 99% of its earnings are of that character.

That illustrated to me how expensive it is to handle the local as compared with the through traffic. For there the earnings per passenger per mile of road $580.00 a year. And however moderate in character the train service is, and however light the rail, the result is that it makes all the fixed expenses chargeable to a very few passengers. Although the fixed expenses may be cheap as compared with those on the main line from Hannibal to St. Joe, for instance, the result is startling.

I have taken, for the year ending June 30, 1908, 103.80 miles of road in Missouri, on the Carrollton Branch. I took the freight, passenger and miscellaneous earnings on the branch, and the total operating expenses of the branch; and allot-ing on the basis we have been using here, the revenue basis, to the passengers, the passenger share of the total expenses? I find the revenue per mile of road to be $580.00 and the expenses to be $1030.00.

Comparing that with the main line, which we keep as an accounting division, from Hannibal to St. Joe, 212 miles, I found
8504 the passenger revenue to be $4153.00 per mile, and the expenses to be $3321.00.

Now while I think that is an extreme case, it illustrates the point I want to make about the excessive cost of local traffic, and that local trains are run for local traffic in lots of places where the density of traffic, both freight and passenger is so light that the fixed expense is high per passenger mile. On this branch for instance it exceeds 2 cents. It exceeds the income.

Q. And yet upon that branch, that line crossing the state line, you have practically no inter-state business?

A. Practically none. Comparing that with the main line, Hannibal to St. Joe, where the density of traffic is great, the expense per mile of road for doing the passenger business, is more than three times what it is on the Carrollton Branch, but the income is 8 times as much; and the result is a profit instead of a loss.

Q. You have several of those branch lines. While that is an extreme case, as illustrating the principle you had in mind, you have several branch lines where the principle applies?

A. The principle applies to a greater or less extent. If you were to reason from the results on this line, it would show that the cost of doing the local business is three or four times the cost of doing the inter-state business.

Q. You have other branches running down through the state of Missouri from Iowa?

A. I don't think we have any other which touches
8505 & 8506 the state of Missouri as poor as this. This is an extreme case.

Q. This is an extreme case, and will show an extreme cost of 3 or 4 times as much—but taking the system as a whole, in the state of Missouri, you would fix that as 50% greater?

A. I would.

The COURT: I have never seen the evidence which was taken before Mr. Schofield. But that was very voluminous on the freight side of the question?

Mr. HAGERMAN:

A. Yes sir, very voluminous. But that relates alone to the freight, because it was taken before the passage of the two cent passenger rate law.

Cross-examination.

By Mr. LEHMANN:

Q. When did you first engage in the passenger service with the Burlington system?

A. In 1876, thirty-two years ago.

Q. Where were you then?

A. Omaha.

Q. You were with the B. & M. In Nebraska?

A. Yes sir.

Q. What was the rate per mile at that time for passenger service.

A. 5 cents, I believe. I am not sure, but I believe it was 5 cents per mile.

Q. When was it reduced?

A. It was reduced to 4 cents about 1878 or 1879. And then
8507 on the Main lines, by act of Legislature, it was reduced to three cents. I have forgotten what year, but it was prior to 1883.

Q. About 1882?

A. About 1882, I think.

Q. At the time you had the five cent rate was there any legal limitation?

A. I think not.

Q. Is it your recollection that the first legislation fixing a maximum rate was in 1882, approximately?

A. About that.

Mr. HAGERMAN: At the time of the fixing of the three cent rate?
Mr. LEHMANN: The fixing of any maximum.
A. I think so.
Q. And when the limit was fixed it was fixed at three cents?
A. On the main line, I am a little hazy about that, but that is my recollection. The reason I am not definite about it, is this: that in those days with our railroads west of Missouri, a large proportion of our passengers were carried free, they and their household goods, and they were given their land.

Mr. HAGERMAN:

Q. You were settling up the country?
A. Yes sir; we were settling up the country.
8508 Mr. LEHMANN: That was true of the Union Pacific also?
A. No sir, or they would have settled up their line equally with ours.
Q. You missed my point. They had a right to do so. You went to work to develop the country tributary to your road?
A. Yes sir.
Q. And made the rate distinctly subsidiary to the future of the road?
A. Yes sir.
Q. My main purpose was to bring out the point that you had been in the service when there was no legal compulsion upon you as to the rate you might charge?
A. Yes sir, I think so.
Q. First there was a rate of 5 cents per mile?
A. Yes sir.
Q. And then four cents per mile?
A. Yes sir.
Q. And that was fixed upon the distance per mile, without regard to the distance?
A. To the length of haul, you mean?
Q. Yes.
A. Yes, without regard to the length of the haul.
Q. Except possibly as modified by competitive conditions?
A. There was not much of anything of that kind at that time. We had only 240 miles of road at that time.
8509 Q. You extended to Plattsmouth to Carson?
A. Yes, with a branch to Beatrice.
Q. And nobody else touched you anywhere?
A. No sir.
Q. You were not even crossed by any line?
A. No sir.
Q. So you had the field absolutely clear of competition?
A. Yes sir.
Q. And for a number of years after you had gotten into the field, you had also entire freedom from legal compulsion?
A. I think so.
Q. During that period the management of the company, following their own views, shows to make a rate of so much per mile, whether

that was from one station to another, or whether it was from the beginning of the road to its end?

A. Yes sir.

Q. Mr. Eustis, you continued in Omaha how long?

A. Until June, 1888.

Q. And about 1882 a maximum law was fixed for the main line at three cents, and what was it on branch lines?

A. Three and one-half cents. That was in Nebraska, I speak of. I know nothing of anything else.

Q. I understand. By that time there had been quite an increase in the railroad mileage of the state?

A. Yes, we had extended to Denver by that time, and had a rate of four cents per mile in Colorado, I think.

8510 Q. And you had competition on your B. & M. in Nebraska?

A. We commenced to have competition, well, we had competition before that. We built branches where we ran into competition, perhaps. If I am not mistaken the St. Joe & Grand Island came across and gave us competition about that time.

Q. What was the reduction—there was a reduction before this legislative maximum was imposed?

A. Yes, that is my recollection.

Q. There was a reduction before that?

A. That was before I had anything to do with it. I recollect it merely as a clerk in the office.

Q. I am asking you only for your knowledge on the matter?

A. Yes sir.

Q. And that, so far as you know, was a voluntary reduction on the part of the company?

A. Yes sir.

Q. And that was done before there was practically any competition?

A. Yes sir, I think so.

Q. Do you know whether the rates on the B. & O. in Nebraska were the same as the Union Pacific?

A. Yes sir, at all times.

Q. At all times?

A. Yes sir.

Q. And the rates on the Union Pacific, during that early
8511 period, prior to legal compulsion and before competition had intervened, was all at so much per mile?

A. Yes sir, it was so all over the United States on all railroads.

Q. I think that is true, and I am glad to have you state it. And from the beginning, say from 1827 to 1830?

A. For the principal reason that wherever it has been regulated it has been fixed on that basis by statute, and where the individual had freedom to do as he pleased it were folly to adopt any other basis.

Q. But originally it was fixed by the individual management, in the absence of statutory regulation everywhere, wasn't it?

A. Well, I don't go back as far as that. I believe among the

earlier roads, say the Hudson road, there was, and that was fixed by Legislature.

Q. At how much?

A. Two cents per mile.

Q. At its very beginning?

A. Yes, the very beginning. It was in competition with the Erie Canal, and that was the only way they could get their franchise. I am not sure but that the Pennsylvania charter did not have a rate per mile fixed in the charter. But I am sure that parts of the Central Line did, the Old Hudson River Line.

8512 Q. There were a great many lines chartered there during that time. We may be able to find something on it. Now Mr. Eustis you continued until 1888 you say in Omaha?

A. Yes sir.

Q. And then were transferred to Chicago?

A. Yes sir.

Q. At that time had the Chicago, Burlington & Quincy acquired the B. & M. in Nebraska?

A. Yes sir, before that.

Q. And they were operated substantially as one system?

A. Yes sir. The Executive was one, but the practical operation was very different from what it is to-day.

Q. For example would you cross your trains at Plattsmouth?

A. Yes.

Q. At that time you had trains from Chicago?

A. In 1882 I think yes.

Q. You ran a continuous train?

A. Yes, through to Denver.

Q. From Chicago?

A. Yes sir.

Q. Via Plattsmouth?

A. Yes.

Q. That coupled up the C. B. & Q. and the B. & M. Roads?

A. Yes.

Q. And you have been with the C. B. & Q. ever since 1888?

A. At Chicago, yes.

8513 Q. You have stated here that your passenger earnings in Missouri were $3,000,000: for what year?

A. For the first year under the two cent rate experience.

Q. What did you take as the beginning?

A. I took the fiscal year 1908.

Mr. HAGERMAN: I think as a matter of convenience we all agreed that the statements should run from the first of July.

Mr. LEHMANN: I am not complaining about it being that time at all. I simply wanted to know what time it was.

July 1, 1907, to June 30, 1908, both inclusive?

A. That is it.

Q. What were your passenger earnings for Missouri for that year?

A. I haven't them here. I thought you had them. But allowing for slight errors and omissions of any kind, I think the figures I have here are correct. They were $3,389,491.19.

Q. What were they for the first six months of that period? Can you separate them?

A. No sir, I haven't that.

Q. What were they for the previous fiscal year?

A. $3,348,753.09 for the year ending June, 1907.

For the next year, under the two cent law, they were $3,389,491.19.

A. A slight increase?

A. A slight increase, a little over 01%. That includes
8514 local and inter-state traffic of all kinds.

Q. Yes, I understand this statement to be comprehensive of both.

After the first of November, 1907, there was a considerable depression of business, and some diminution of travel, wasn't there?

A. In through travel there was some falling off, or a considerable falling off in through traffic.

Q. The railroad companies felt the depression really very peculiarly, didn't they?

A. More in freight than in passengers. On our road for the fiscal year ending June 30, 1908, the decrease in freight was $4,000,000 I think; and on passenger business it was just about even; about $150,000 ahead; in a passenger business of $8,000,000 we would consider that about even.

Q. You would agree with me, would you not, that the first of November would be a fair time to fix as the beginning of the depression?

A. I think so.

Q. It manifested itself the latter part of October?

A. In the passenger business about then; I don't know about the freight.

Q. Having regard to the time when the banks started in on their clearing house certificates, taking that as the beginning?

A. My recollection is it was about the first of November
8515 or the latter part of October.

Q. So you would agree that the first of November would be a good time to fix for the beginning of it?

A. Yes sir.

Q. So there were four months of the last fiscal year prior to the depression?

A. Yes sir.

Q. Could you give me a comparative statement as to the passenger earnings in the state of Missouri for the four months ending October 31, 1907, and the four months ending October 31, 1906? If you can't give it to me now, will you have it prepared when you go home?

A. I can have it made; in fact I think we have the figures.

Mr. HAGERMAN: I think so. We have not gone into those figures because we have not come to the Burlington case yet.

A. The statement I have before me is one in which the figures have either been in evidence or to be given in evidence. They are for the year.

Mr. HAGERMAN: A copy of that statement has been served upon the other side. What we have not here is the detailed statement of

the Burlington by months, because we are putting in testimony in the Frisco case now, and not the Burlington.

A. I have it here for the year, and obviously I must have in Chicago the figures for the different months.

Mr. HAGERMAN: I am merely explaining why we haven't
8516 the detail here now.

Mr. LEHMANN: If you will get that, Mr. Eustis, and send it back I will be obliged to you.

Q. Have you the figures as to the number of passengers carried in Missouri in the fiscal year ending June 30, 1908, with respect to which you testified?

A. Do you want passengers or passenger miles?

Q. I want passengers first.

A. I can send you that.

Q. Please do so.

A. You want the number of passengers carried, for the year ending June 30, 1908?

Q. Yes.

A. I have it here. 3,683,676.

Q. How many of those were state passengers?

A. I haven't it accurately here, but I have it approximately.

Q. I have a figure here in this statement. I didn't see it before. It is 2,695,868?

A. That is it, that is state.

Q. 987,808 inter-state?

A. Yes, and the two together make the figure I gave before.

Q. How did you determine which were state and which were inter-state?

A. Those who were state passengers had origin and destination both within the state.

8517 Q. How did you determine that?

A. From the tickets.

Q. That is what I mean?

A. From the tickets and from the cash fares.

Q. If I came from another road, but bought my ticket, had not a ticket through——

A. Then I could not tell that you were inter-state.

Q. You took the tickets for it?

A. Yes.

Q. And that gives you something more than two times as many state passengers as inter-state?

A. Yes.

Q. The exact proportion indicated by the figures?

A. Yes, but it is nearly three times.

Q. The average number of miles carried of state passengers was 30.52?

A. On the state 31—I was speaking of round figures—31.99 is my recollection of it.

Mr. HAGERMAN: If there is any difference in the figures, Mr. Lehmann, let your experts call attention to it. 32 state and 98.07 inter-state?

A. I will concede it is 98 or 30, if it will suit better, but I had 31 and 99 in mine.

Mr. LEHMANN:

Q. That was due in a large measure to the number of branches?

A. What?

8518 Q. The disparity in the haul of the state and inter-state passenger?

A. No sir, I did not say that. I said the difference between the haul of the local and the inter-state passenger was due to the passenger himself. The local passenger travels as a rule but a short distance, and it doesn't make any difference whether he is traveling on the main line or on the branch line, his haul is short.

Q. Have you any trains in the state of Missouri which are exclusively inter-state?

A. Exclusively inter-state?

Q. Yes.

A. Oh, yes.

Q. That do an exclusively inter-state business?

A. Oh, no, there is no such thing.

Q. All your trains do both state and inter-state business?

A. Yes.

Q. But some of your trains do not make as many stops as others?

A. And in the nature of things, on account of the time they run on.

Q. Running at night time?

A. Yes, and the local service is offered at other hours that suit better.

Q. Where are your principal trains in Missouri?

A. In what sense, principal, those that earned the most money?

8519 Q. Yes, take those?

A. Those that earn the most money, which I class as inter state trains, the classification being a very difficult matter, as you can readily understand, are the trains running between Kansas City and Council Bluffs or Omaha. Those are the largest earnings.

Q. How do those that run between Kansas City and St. Louis rank?

A. I call those local.

Q. How do they rank in point of earnings?

A. Not nearly so much.

Q. Not so much as the Kansas City and Omaha train?

A. Not half.

Q. You run more cars on the Kansas City—Omaha trains?

A. Naturally, and they are better filled.

Q. There is more traffic in that direction?

A. Well, I don't know that there is. They do not run as many trains. We run six trains between St. Louis and Kansas City, our haul being between St. Louis and Mexico, three each way.

Mr. HAGERMAN: And the rest of the way over the Alton?

A. Yes sir, the rest of the way over the Alton.

Between Kansas City and Omaha we run two each way, four a day. And these four trains each earn more per mile than
8520 the six trains earn per mile between St. Louis and Mexico.

Perhaps I do not quite understand your question, but I am trying to answer it.

Q. They earn more per mile of road?

A. Per mile of train run.

Q. Each one earns more than any one of the six in Missouri?

A. Yes.

Q. Between Kansas City and Omaha what other road is operating?

A. The Missouri Pacific.

Q. Any other road there?

A. No sir.

Q. How many trains does it run?

A. I don't know.

Q. Probably the same number as your road?

A. I think so, yes.

Q. How many trains operate between Kansas City and St. Louis.

A. On all roads?

Q. Yes, that have a passenger service between the two cities?

A. Well, I don't know: we have three each way. I should say there are probably twelve.

Q. The Wabash operates between the same points.

8521 A. Yes, and the Missouri Pacific.

Q. And all in direct competition with each other?

A. Yes.

Q. Each one striving for as much of the traffic as it can get?

A. Yes.

Q. The volume of travel between the two places is larger than between Kansas City and Omaha, isn't it—the total volume?

A. I should think so.

Q. And the competitive element has reduced the earnings per train mile between Kansas City and St. Louis?

A. Probably.

Mr. LADD: Does what is called the St. Louis, Kansas City & Colorado Road do any Kansas City-St. Louis business?

A. If there is no representative of that road here, I will say no, they do not do any.

Mr. HAGERMAN: That might be taken literally, Mr. Eustis. They do run trains?

A. Yes, but they are not among the three large carriers.

The COURT:

Q. What does the M. K. & T. do?

A. They do not run through trains between St. Louis and Kansas City.

Mr. LEHMANN:

Q. Where is your next line in point of importance?

A. You said trains before. Now if you are speaking of lines, it is different.

8522 Q. I will say trains?

A. Between St. Louis and Burlington.

Q. St. Louis and Burlington?

A. Yes sir.

Q. Is that your scheduled St. Paul train?

A. Yes. Not all the trains, but we have trains between St. Louis and Burlington, if my recollection is correct, on which the net earnings per mile come in next to those I first mentioned.

Q. And ahead of those between St. Louis and Kansas City?

A. Yes. But without a statement of the earnings per train mile, which I do not have with me, and therefore I am speaking from recollection only, I cannot be very sure about all that. I can tell you in a general way merely.

Q. That is the second?

A. I should think so.

Q. And the Kansas City-St. Louis is third?

A. Now, I am not sure, but I think in importance the main line from Hannibal to St. Joe is next.

Q. That is third?

A. In earnings per mile run of some of the trains.

Q. I was trying to get the Kansas City-St. Louis run up close to the front you see?

A. It is just possible that one of the trains between Kansas City and St. Louis earns more than one of the other two trains I first mentioned, but I am speaking from recollection now, and I

8523 doubt it.

Q. How is it as to earnings per mile of road, which is the more important line?

A. According to my recollection the Hannibal to St. Joe.

Q. For passenger earnings?

A. Yes.

Q. That earns more than the Alton-Burlington Line?

A. Yes.

Q. How many trains altogether do you run in the state of Missouri?

A. I don't know. I count that train miles. I can tell you that.

Q. Can't you give me the number of trains?

A. No sir, I haven't that.

Q. Can you give the number of cars?

A. No sir.

Q. And the number of Pullman cars?

A. No sir.

Q. Or the Dining Cars?

A. Three.

Q. In the state of Missouri?

A. Yes—no it is four in the State of Missouri.

Q. Can you give me the number of the buffet cars?

A. None that are not part Pullman.

8524 Q. You have some that are a combination of sleeping car, buffet and observation car?

A. Yes, but they are Pullman cars.

Q. Are any of these extra cars, like the sleeping car, the dining car, the parlor car, yours or are they all Pullman?

A. The dining cars are all Burlington and the rest are all Pullman.

Q. Have you some service which is exclusively Pullman, except incidentally the dining and baggage cars?

A. No sir, we have no trains on the railroad that do not carry passenger coaches.

Q. So you have no trains that are not intended to do some local business, or at least equipped for it?

A. The coach is not necessarily for the local business. It is intended to carry all classes of traffic. We have trains that are run for the purpose of doing nothing but through inter-state traffic like the Limited, between Kansas City and Chicago. That is composed of through cars and sleepers to provide for the different kinds of traffic, and if they do any local traffic at all it is a mere incident.

Q. They stop at how many points between here and Chicago?

A. I cannot tell you that from memory.

Q. Do they stop at every county seat, for example?

A. No sir.

Q. That runs over the Hannibal & St. Joe?

8525 A. Yes by way of Quincy and Galesburg.

Q. And goes from here to where?

A. It goes from here to Cameron, and then to Quincy.

Q. That is made up of how many cars?

A. It starts from here with eight, no it is nine cars, and it drops one at Cameron and takes on two from Mendota, Ill., and then in that shape on without any change.

Q. It drops some there?

A. It drops off the diner and takes on one car.

Q. And then goes on to Chicago?

A. Yes—no I am wrong about that. It is 8 instead of 9 from here.

Q. How many of the 8 are service cars?

A. What do you mean by service cars?

Q. Some one here used the term service car as applied to mail, baggage and express cars?

A. I don't understand that term, but I can tell you just what are on that train: there are two mail cars, a baggage car, a combination express, smoker and chair car; a dining car, a sleeper and a compartment observation car.

Q. One of the witnesses characterized them as service cars?

A. Called a mail car a service car?

Q. Yes, and the baggage and express; I picked up the expression. Can you submit a statement of the earnings and expenses of that train?

A. By itself, no sir.

8526 Q. Mr. Eustis, there was submitted here, during this examination, exhibits 11 and 28, to the testimony of Mr. Ellis, what has been characterized as a comparison of through and local passenger partial expenses on the La Crosse division of the Chicago, Milwaukee & St. Paul Railroad, showing the expenses per day for a stated number of days, passenger miles made by the train, expense of the passenger miles in mills. Then the local passenger miles made and the local expense. The through passenger miles and the through passenger expense. This was done as to 13 trains of the C. M. & St. P. in Milwaukee, showing expenses as to the train men, and terminal expenses, such expenses as could be located upon the train themselves: Have you any statement of that kind showing operation of state as compared with inter-state trains?

A. No sir, we never had any made.

Q. Your travel uses cars such as Pullman cars, more than the local travel, doesn't it?

A. Oh, yes, the average through travel is moved in through cars, coaches and Pullman cars that are of a higher grade.

Q. And the dining car is patronized more by the through travel than by the local?

A. Yes sir.

Q. The dining car service is a distinctive expense, isn't it?

A. Oh, yes.

8527 Q. It is not self-supporting in any proper sense of the term?

A. On our road it is not. It cost us $20,000 odd last year.

Q. You get your view of the expenses from the fact you say that there was 40% of your Missouri earnings from local passengers?

A. 48%.

Q. While the percentage of passengers in number was 73?

A. Yes, and in passenger miles only 46.

Q. And the percentage of earnings 48%?

A. Yes.

Q. There was that much greater volume of inter-state local traffic than inter-state traffic?

A. No- in passengers.

Q. In passenger miles?

A. A greater volume in passenger miles, and a greater volume of passengers moving from inter-state than local, but a far greater number of local passengers than inter-state passengers.

Q. Those people all traveled on the same trains?

A. As I said, 62% of all the trains we run were trains of such a character and run in such places that they carried very little else than local business.

Q. You typified the Alexandria train as one?

A. Yes.

8528 Q. That runs from Carrollton, Mo., to Burlington, Iowa?

A. Yes sir.

Q. How far does it run through the state of Iowa?

A. I have forgotten how far it runs up there, but in Missouri it is 103 miles.

Q. You cannot tell us how much it is in Iowa?
A. No sir, I don't remember.
Q. Is it any considerable distance?
A. No sir, it is not.
Q. Is it 50 miles?
A. No sir. I think it is about 38 or 42 or something like that.

The COURT:

Q. From Alexandria to Burlington, you mean?
A. Yes.
Q. I think it is 40 odd miles.
A. The point I made about that, as I have about other trains, is this: We know from checking the trains, and from reports made repeatedly, that on that train the business gets on at one station, and most of it goes up to the next station, or perhaps two stations, and but very little of it goes all the length of the run. It picks up the local travel as it goes along, and the amount of that which goes from points in Missouri across the state line into Iowa is very small in the way of earnings. Most of the passengers and most of the earnings of the trains in Missouri are from passengers who have
8529 origin and destination in Missouri.

That is less true in some other places. But it is also true on the line from Chariton, Iowa, to St. Joe, Missouri, where an inter-state runs.

Mr. HAGERMAN:

Q. Are there other points?
A. Yes sir, such as from Creston, Iowa, to *Iowa, to* St. Joseph, Missouri. And from Villisca, Iowa, to St. Joseph, Missouri, that is also true. It runs all the way from 95% and not lower than 75% *of* all the earnings of the train in the state of Missouri are from passengers whose origin and destination are in Missouri. That is also true in Iowa on the Iowa end of the run. 90% of the earnings come from passengers whose origin and destination are in Iowa.

Mr. LEHMANN:

Q. In other words the lines are local?
A. Yes sir, the volume that crosses the state line is very small.
Q. The state line is purely an imaginary line so far as operation is concerned?
A. Yes sir, and the amount of earnings that ac-rue on this side of the line as inter-state, therefore, is a very small matter.
Q. This Alexandria line you say earned $520.00 per mile per year in its passenger service?
A. Yes sir.
Q. For the year ending June 30, 1908?
A. Yes.
8530 Q. What did it earn during the year ending June 30, 1907?
A. I haven't that here.
Q. How much did it earn during the year 1906?

A. I haven't that here.
Q. Will you send us that?
A. I can send you that. I can tell you that in general terms what the result is. I know that.
Q. Please do so.
A. It is about the same in 1908 as it was in 1907. There is a slight decrease if anything. In 1906 it was less. In other words, there was an increase from 1906 to 1907, but no increase from 1907 to 1908, when the rate was reduced.
I would like to answer that more fully, while you are at it.
Q. I would like to have that a little more definitely, if you can get it.
Q. Take all the local business in the state of Missouri——

Mr. HAGERMAN:

Q. By local you mean state business?
A. Yes.

Mr. LEHMANN:

Q. It will be better to use the term state business.
A. Our state business for the last year shows an increase of about 3%. I do not remember the exact fraction, but the figures you have there will show that.
Q. Over what?
8531 A. Over the previous year. And the normal increase for five years before that had averaged in all the states as a whole, east of the Missouri river, 7.4%, and in Missouri considerably more than that.
Q. What increase have you reference to there?
Can you show the increase in the number of passengers carried, or the passengers carried, for the same period?
A. Yes.
Q. Give us the increase in the same way?
A. The number of passengers carried, the increase is about 20%.
Q. For what year?
A. For the same year.
Q. Is that 1908?
A. Over 1907, in Missouri.

Mr. HAGERMAN:

Q. The number of passengers increased 20%, and yet you lacked more than 4.10% of a normal increase in revenue?
A. Yes sir.

Mr. LEHMANN:

Q. Is that passengers or passenger miles?
A. Passengers.
Q. How about the increase in passenger miles, there was an increase there?
A. I haven't it figured in detail. I have the gross figure before me.

The passenger miles increased in that year something more
8532 than 33⅓%.

Q. In 1908 over 1907?

A. Yes, the passenger miles increased something more than one-third.

Q. And the revenue increased 3%?

A. Yes.

Q. What was your average rate per passenger mile prior to July, 1907?

A. On local business?

Q. On all business done in Missouri?

A. On state business our revenue per passenger mile for the year ending June 30, 1907, was 2.44 cents, and for last year 1.96 cents.

Mr. HAGERMAN:

Q. The difference is what?

A. The difference is .48 cents.

Mr. LEHMANN:

Q. What were your receipts?

A. If that would apply to the passengers we carried last year, it makes a loss of 24% in revenue.

Q. In dollars and cents how much is that?

A. $392,499.00, or 24% loss in revenue.

Mr. HAGERMAN:

Q. Have you any objection, Mr. Lehmann, to his giving the inter-state while he is about it?

Mr. LEHMANN:

Q. How much did you get from your inter-state passengers per passenger mile in the same period?

A. During the previous year 2.1 cents, and this year 1.83 cents.

8533 Mr. HAGERMAN: Give the per cent while you are doing it?

A. I haven't the interstate separate. On the total of all the business the revenue per mile was 2.24 cents for last year, and this year under the decreased rate it was 1.89 cents; a loss of .35 cents per passenger per mile. That applied to the 179,225,248 passenger miles makes a loss in passenger revenue of $627,288.00 nearly 20%.

Q. How much of your business prior to July 1, 1907, did you do on an actual three cents basis in the state of Missouri?

A. In round figures $1,180,000 out of $1,473,000.

Q. You mean out of what?

A. Out of the total state business last year, $1,470,000.

Q. But the $1,180,000 was done on a flat three cent basis?

A. Yes.

Q. That was the year ending June 30, 1907?

A. Yes.

Q. That means that nearly all of the strictly state business was done on a flat three cent basis?

A. A large per cent of it, yes.

Q. On how much interstate business in the state of Missouri did you get three cents?

A. That is impossible to state for this reason: I have no figures, and I doubt if any can be made short of a very long and ex-
8534 pensive piece of work, that would show what traffic was carried at straight three cents, and what was carried at rates that are made through other states, or to meet the competition of other routes. As for instance, in interstate traffic from Indianapolis at Kansas City, sold at a straight three cent rate in 1907, it would not begin to pay us three cents per mile over our road, and it is difficult to get at it and separate it from any other class of traffic.

Q. You say a ticket from Indianapolis to Kansas City sold at three cents——

A. Would not pay us the full three cents.

The COURT:

Q. What is the reason for that?

A. Because if the passenger comes via Chicago, he gets the benefit of the short line rate.

Q. Suppose he comes via St. Louis?

A. If he came via St. Louis it would pay us. But the rates are fixed first by the roads having the short line, and then it is a question for the local line to meet the short line rate.

In all these statements of interstate traffic, I have an item here "regular business" and another item "coupon business" that is "regular" and so on. It is full of things of that kind. I don't know how much of this traffic paid three cents and how much did not. It is impossible to tell.

Q. Your average receipts from the strictly state business in Missouri, in the year ending June 30, 1907, were 2.44 as you stated?

8535 A. That is right.

Q. And the total receipts were $1,475,000 in round numbers, and the flat three cent business brought you in $1,180,000?

A. Yes sir.

Q. Leaving about $290,000 difference?

A. Yes sir.

Q. How was that $290,000 derived, on what sort of rate?

A. Half fares for charity; half fares for railroad employés and other purposes; half fares for clergymen; commutation tickets; excursion tickets of all kinds.

Q. Did you have, during that period, a Sunday rate that was one fare for the round trip?

A. No sir, but it was our practice at that time to sell tickets between all stations for 10% off if the passenger bought a round trip ticket. Those were local excursions. It was our practice during that time to run excursion trains on Sundays between St. Joseph and Kansas City.

Q. Those rates are very low?

A. Yes sir, they were very low. Those were excursions.

Q. I didn't know but you had a regular habit—I know that existed on some roads, of selling Sunday tickets for one fare for the round trip?

A. No sir, we didn't do that. We had some commutation tickets.

Q. Where?

A. Between Liberty and Kansas City, and Liberty and
8536 Brooksfield, and Kansas City and points on the Cameron line.

Q. And perhaps a few at St. Louis up to Spanish Lake?

A. Yes, and even up further than that, up to Clarksville.

Q. You sold mileage books during that period did you not?

A. Yes sir.

Q. At what rates?

A. From 2 to 2½ cents; some were 2 and some were 2½.

Q. Why were they 2 in one case and 2½ in the other?

A. The two and one half cents were for one thousand miles, and the two cents were two thousand miles or more.

Q. But otherwise no difference between them?

A. No sir.

The COURT:

Q. Was that gross?

A. Two cents was the net rate. We have various forms. I think at that time we had a form we charged $50.00 for, and then refunded after it was used the difference between two and two and one half cents.

Mr. HAGERMAN: You sold it at 2½ cents, but when they exhausted the book they got a refund?

A. Yes sir, they got it all but a small fee for the work.

Mr. LEHMANN:

Q. How did you reckon the travel on that, as state or interstate.

A. On the mileage?

Q. Yes.

8537 A. We had two kinds of mileage running at that time. part of it was what we call the interchangeable credential form. That locates itself as between every station, because it was good only at the station in exchange for a ticket; so that becomes located entirely according to the ticket.

Q. That meant a sort of cash, valuable only for buying a ticket—a limited currency?

A. Yes. The others we have no means of locating, that is at the late day we made this statement up—as to how much of that in Missouri was local and how much interstate.

Q. Where did you assign it in your statement?

A. Of $182,000 of that kind of mileage, the previous year we assigned 50% I think to local—very nearly 50% or a little more. I have forgotten just what. We had an elaborate scheme to work it out. There were outstanding on July 31, 1907, when we started to make this statement, a lot of tickets and we began immediately

to keep tab on those. You know there is a slip turned in by the conductor for every trip, showing where the passengers came from and where they went to. We took all of those and kept a record of these tickets for two months. Then that form of ticket began to die out. We have very little of that kind of mileage in Missouri. This year it is $42,000 and last year it was $182,000; based on the analysis we made for the first two months, while some of the old tickets were still coming in, for the purpose of
8538 getting at what was state business and what was interstate, we assigned to the state 50%; and of the latter amount we assigned to the state only 33⅓%.

Q. As a matter of fact, those tickets are sold largely to the so-called Commercial travelers?

A. They are the largest purchasers, but the tickets are for sale to any one.

Q. I do not mean to exclude any one, but as a matter of fact, they are used chiefly by the commercial travelers, aren't they?

A. I should say chiefly, yes; more than 75% probably were used by the commercial travelers. Of course cattle buyers and some farmers, in fact all sorts of people used them, and it is difficult to tell. But I think you are right in saying in a general way that the commercial travelers were the largest purchasers of them.

Q. And they used them on short haul business, traveling from town to town, making all the towns along the route?

A. While they were local, yes.

Q. Whether state or interstate, they were distinctly local?

A. Oh no. There was a very large class of those not local at all, those buyers of those tickets—a large class. For instance Chicago to St. Paul, Omaha to St. Paul, Omaha to Chicago, common routes, and any of the intermediate small places.

Q. All of these small towns are worked by the commercial
8539 travelers, aren't they?

A. But they are not worked by the same class I speak of as inter-state travelers. If local they went from station to station.

Q. Practically all commercial travelers used these tickets because they traveled enough to use them up?

A. Yes sir.

Q. Was that interchangeable form you spoke of good on any road?

A. Yes.

Q. That is the form where the traveler must buy a ticket, however?

A. Well, you always do buy, and pay for the ticket in both directions.

Q. I mean a ticket for each ride?

A. In both cases you had paid for the ticket in advance, but in one case the ticket was a mileage strip good on the train, without going further, and the other had to be exchanged at the ticket office for a ticket.

Q. Exactly. He had to get a ticket for each ride?

A. Yes. That was a small proportion of the haul, in that form

Q. A small proportion was credential?

A. Yes.

Q. What is the comparison of car miles between your road business and your inter-state?

A. That I haven't got.

8540 Q. You had simply the train miles?

A. That I had the train miles. Obviously while 62% of the train runs I referred to—that is what you are speaking about now?

Q. Yes.

A. Obviously while the 62% of the train run was as a rule on a lighter train than the 38% that carried the inter-state.

Q. It would be less expensive?

A. Oh yes.

Q. It would not cost as much?

A. No sir, or in many cases run on such a cheap road. In many cases it would run on a cheaper roadway.

Q. So you ought to consider the car mile as well as the train mile, ought you not?

A. I don't think that is important. I would like to make that perfectly plain, Mr. Lehmann:

Q. Why shouldn't both be considered? It impresses me you ought to consider both. I realize that the car mile is subject to this qualification, that you must consider how many cars?

A. There are other things also to be considered. If you take a car that is comparatively a cheap, light car, and you are going to say it should not be charged with so much expense, that is, your passenger in it should not be charged with so much on that account as your inter-state passenger carried in a much more expensive and heavier car, then you must take into account that the chair

8541 car makes four times as many miles per year, and is loaded with three times as many passengers per mile as the light car. That is an important feature.

Q. But we want to get on each side what ought to be there and at the same time the car mile should be taken into account as well as the train mile?

A. I have no doubt it is true. Everything should be taken into account.

But I want to illustrate my point by one other example: I look at the branch train, particularly the branch train, and there is a great deal of that mileage, as much like a case where two men run a cheap house, $30.00 per month rent perhaps. That is $15.00 a month apiece. It does not help any to say that there is room enough for eight others in the house; there are only two that have to pay the rent, $15.00 each. It is much cheaper for a lot of us to live in a house renting for $100.00 per month, and divide it among ten, and if all of us had the same income to pay, we would live in the $100.00 house well, while the man in the $30.00 house will have to starve.

It is the same as to the branch. However expensive the branch may be, the maintenance of way is not of so high a grade, while

the expense is lighter the income is lighter. But as illustrated by this Carrollton Branch, where we have an expense per mile of road of only $1,000, it is double the income or nearly double.

8542 Q. How is it about the freight on that road?

A. Would you like the whole of it, freight, passenger and miscellaneous?

Q. Yes, take the whole of it?

A. The freight income, $86,366.

Q. Per mile?

A. No sir, the total.

Q. You have been giving it per mile?

A. I haven't figured that per mile.

Q. Well, take the total?

A. The total income is $60,423. You can readily figure that. That is about 25% or a little more per mile of road income for freight.

Q. What is the miscellaneous?

A. $20,102.00. The total gross income is $166,891. The total operating expense is $295,922.

Q. When did you buy that road?

A. I have forgotten.

Q. In other words the road doesn't pay at all?

A. No sir, not now.

Q. Did it ever?

A. I don't know that it ever paid? I should doubt if it ever did.

Q. Aren't those earnings as good now as they were last year, those total earnings?

A. I think so.

8543 Q. And better for the year ending June 30, 1907, than they were the previous year?

A. A little. The passenger earnings this year remain about the same or a little less than they were last year. But last year was quite a little improvement over what it was the year before?

Q. That road never paid?

A. I think not.

Q. Was it built by the C. B. & Q. Co. or did they buy it from some one?

A. I have forgotten the history of that. In fact when that was done I had no charge whatever of the Missouri district. It is only since 1902 that I have had jurisdiction over that part of the road.

Q. Can you send down a statement of the traffic on all the branches, and by lines? You have given it for the Carrollton Branch, can you do that for the other branches and lines?

A. In the same sort of a statement?

Q. Make it as detailed as possible. Of course I don't expect you to do that now.

A. I think that is easily done.

Q. I rather assume so from what you have there.

A. I rather think so, I do not see any difficulty about that.

Q. If you will do that I have nothing further to ask you.

8544 Redirect examination.

By Mr. SPENCER:

A. I would like to have Mr. Eustis state whether he knows as a fact whether the interstate traffic took advantage of the two cent rate in Missouri, after the law was passed here, and traveled to the state line, and then purchased a ticket to destination?

A. Why of course.

Q. To what extent did that affect the Missouri business?

A. We know it largely swelled the state traffic in Missouri for two or three months, but just how much I do not know. The reason for that is that it took time, and in fact the work is not yet done, to make tariffs on eastern rates from points in the east into Missouri, or through Missouri, to points beyond, and points west, and in the opposite direction: and people could save money by buying a ticket to the Missouri state line, and then repurchasing; and that was a very large and important item for two or three months, and then it became less important, until to-day it has become of no importance.

The usual hour for adjournment having arrived, an adjournment was here taken until tomorrow, Friday, December 18, 1908, at 9 o'clock a. m.

8545 KANSAS CITY, MO., *Dec.* 18, 1908.

Met pursuant to adjournment as above on Friday, December 18, 1908, at 9 o'clock in the forenoon.

Present parties as before.

The following proceedings were had.

J. W. KENDRICK, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. Mr. Kendrick your position is what?

A. Second Vice-President, in charge of operation and maintenance of the Atchison, Topeka & Santa Fe Railway Company.

Q. Will you in a general way state your railway experience?

A. Prior to 1879 I was engaged in miscellaneous practice as a civil engineer. In August of that year I entered the service of the Northern Pacific, became its chief engineer in 1888, its General Manager in 1893, Second Vice President in 1899, and left the service of the Northern Pacific, coming to the Santa Fe in June, 1901. I have since been connected with that company.

Q. You were made General Manager of the Northern Pacific in 1893, and held that position until 1899, and were in charge of operation from 1899 until June, 1901?

A. Yes sir.

Q. And your particular duties upon the Santa Fe as its
8546 Vice-President have been what, what part of the service, I mean?

A. I have been in charge of operation and maintenance of both track and motive power.

Q. Have you made a careful study of the conditions that affect the cost of handling traffic, and are you familiar with the general conditions that attend the handling of business on the Santa Fe, and on its lines in Missouri?

A. I have made a careful study of the conditions that govern the cost of handling traffic, and I am familiar with the conditions that attach to the operation of the company's lines in Missouri.

Q. What is the mileage of the Santa Fe in Missouri, both main and branch lines. Give those owned and operated separately, if you can?

Q. The main line owned and operated, 195.49 miles; not owned and operated 6.66.

Q. That is the belt line?

A. Yes, that is the Kansas City Belt Railway.

Q. Now give the mileage of the branches?

A. The St. Joseph Branch 76.38 miles. Then there are two little pieces of track, one at St. Joseph .04 miles, and the other at Winthrop, .05 miles. Also St. Joseph to Winthrop, operated by the Rock Island, and used by us jointly to the Kansas Bridge, 19.71 miles, making a total of 298.61 miles operated, and 271.96 miles owned.

8547 Q. There is a small fraction at St. Joe, not owned but operated by you, being .28 miles.

A. Yes.

Q. What is the relation to the Belt Line at Kansas City?

A. The Santa Fe owns 50% of the stock of the Kansas City Belt Line Railway.

Q. That extends between what is called Blue Junction and the Missouri Pacific Junction in Kansas City?

A. Pacific Junction to Kansas City, yes.

Q. What is the principal element in determining the cost of transportation, and speak in a general way of the variation, if any, of the general expenses in connection with the administration?

A. Other conditions being equal, and to a certain extent irrespective of such conditions, the principal factor affecting the cost of handling traffic is its volume. Of course some of the expenses that are connected with transportation, the expenses of management, are practically fixed and constant, no matter what the volume of the business may be, but other expenses vary with the volume of business.

Q. Such for instance as expenses involving the force, and material, and supplies for moving the business?

A. Supplies to move the trains and take care of the engines and repairs — the cars.

Q. What is the difference as between state and interstate busi-

ness in a general way before we come to the figures you will give?

8548 A. As has just been testified in this case, there are three classes of business: the inter-state business originating in the state, and passing to some point beyond its boundaries, or originating in some other state, and terminating at a point within its boundaries. Trans-state, not originating in the state, and passing clear across the state, for instance, and terminating in another state. And state business, originating at a point in the state and terminating at another point in the state.

Q. Go on with your general observations in relation to that, and the relative cost, as a matter of comparison?

A. If the transmission of the state business be placed on its own merits, be considered by itself, the character of the line upon which it is to be handled, would be very different from that which is afforded, and which the railroad companies have been able to furnish, because of the existence of the inter-state business. Therefore, I have always believed, and still believe, that the best basis of comparison is afforded by taking into consideration results that attend operation upon a branch line appurtenant to a main line, in any state; making such comparisons as may be necessary between the cost of handling on such branch lines, and upon the main line.

The Santa Fe railroad has practically but one branch line in the State of Missouri——

Q. Before you proceed with that, the branch line I assume following from what you say, is one where as a matter of fact

8549 but little inter-state business passes?

A. Relatively, as compared with the main line.

Q. Now proceed?

A. The Santa Fe, as a matter of fact, has but one branch line of any consequence in the state of Missouri. It has, it is true, a short branch extending from St. Joe over toward Atchison, but the principal branch is the St. Joe branch, which as I have stated, is 76.38 miles in length.

Q. That runs from Lexington up to St. Joe?

A. Yes sir. On the other hand the main line of the company through the state extends from the Des Moines River to Kansas City over the Belt Line and to the Kansas state boundary.

During the 12 months ending June 30, 1908, the net tons handled upon the 201 miles of Main Line, were 386,904,764. The density of traffic in ton miles was 1,989,099.

Mr. LADD: Was that on the main line alone?

A. 201 miles of main line. That includes the line between the Des Moines river and Blue Junction, and the Belt Line Railway.

Q. It takes in part of the line in Iowa?

A. No sir, just to the Des Moines river.

Mr. HAGERMAN: It is a comparison of the part of the line that crosses into Iowa at Madison, and the branch line that runs from Lexington up to St. Joe?

Mr. LADD: I understood him to say it was the main line?

8550 Mr. HAGERMAN: He is starting to compare the two.

The COURT: The Des Moines river at that point is the state line.

A. Yes.

Mr. HAGERMAN: But it is the main line you take here to go to Ft. Madison.

Mr. LADD: Are these the tons on the 145 miles?

A. These are the tons that have passed over the main line.

Q. The 145 miles?

A. 201 miles.

Mr. HAGERMAN: And the St. Joe Branch?

A. The St. Joe Branch is another proposition which I will give by itself.

Q. Go ahead.

A. That gives a density of traffic, as I stated, of 1,989,099 tons per road mile.

Now the net tons handled upon the St. Joe Branch during the same period were 15,536,415; and the density of traffic was 202,799 net ton miles per mile of road.

The density of traffic on the Branch line, therefore, was 9.81% of that upon the main line.

The cost of handling that business per net ton mile on the branch line, was 1.22 cents per ton per mile. On the main line this cost was 4.38 mills per net ton mile.

So that the cost on the branch line was 2.8 times as much per ton per mile on the branch as upon the main line.

8551 Q. I want to emphasize right here, Mr. Kendrick, upon this main line with which this comparison was made, you did both state and interstate business?

A. Yes sir.

Q. And upon this branch line, for all practical purposes, it was substantially all state traffic?

A. Yes sir. We do both state and inter-state business in each case, but the inter-state business upon the branch line is very small, relatively, as compared with that upon the main line.

Q. What I am getting at now is that on the other line there is some state business done?

A. Yes.

Q. Some considerable?

A. Yes.

Q. That would fully offset the inter-state business upon the branch line?

A. Yes.

Q. And the result of that is 2.8 times as much?

A. Yes.

Q. Now proceed Mr. Kendrick with your statement.

A. There is present upon the St. Joe Branch a certain amount of interstate traffic. On the other hand if we were dealing only with the business of the state of Missouri, it is fair to assume that the traffic density upon lines leading to Kansas City would be greater than upon the branch line if it were divested of inter-state

8552 traffic. Therefore, it would seem to be just in making this comparison to assume that the inter-state traffic that passes

over the branch line represented the incoming business due to the greater importance of the line leading to Kansas City.

Now the average earnings upon business in Missouri for the fiscal year ending June 30, 1908, was 1.07 cents per ton mile; and on the state business during the same period it was 1.9 cents per ton mile, or 77.6% more.

The earnings on account of state business in Missouri during the fiscal year ending June 30, 1908, were:

Freight	$246,095
Passenger	178,550
Mail & Express	96,702
Miscellaneous	7,134
Total	$528,481

During the same period the earnings from interstate business within the state of Missouri, or out of and across the state of Missouri were:

Freight	$3,466,516
Passenger	666,172
Mail & Express	342,852
Miscellaneous	94,495
Total	$4,570,035

Mr. LADD: That is Missouri, is it?

A. Yes sir.

Q. For the fiscal year ending June 30, 1908.

8553 A. Yes.

The average haul on state freight during the year ending June 30, 1908, was 44 miles; and the Missouri portion of the haul, on business passing through, inter-state or trans-state business, through or across Missouri, was 84.7 miles.

Q. That is what?

A. That is trans-state or interstate. All other kinds of business besides state freight.

Mr. HAGERMAN: Now give some of the reasons why the cost of handling state business is greater than the cost of handling interstate business?

A. It is much greater, that is, the cost of handling state business is much greater than the cost of handling interstate business, for many reasons:

First, on account of the much lighter average loading of cars, resulting in a decrease of paying freight on trains. For instance, the average tonnage of through trains over the main line, on the Missouri portion of it, for the fiscal year ending June 30, 1908, was 971 gross tons per train mile, and by gross tons we mean in our statistics the weight of the train behind the engine, including the weight of the cars and their contents; and by net tons, we mean the

weight of the contents of the cars. The net tons averaged 387 per train mile.

On the branch lines during the same period, the gross tons, that is the weight of the train, the cars and their contents, were
8554 348 gross tons per train mile, and the contents represented an average of 124 net tons per train mile.

Now the average road haul by local trains between Kansas City and Des Moines river, that is across the state of Missouri, in July and August, 1908, was only 80.9 tons, and on through and inter-state trains 467 tons. That is the local train would start out from its initial point, going in either direction with an average complement of freight, and the distribution of that freight at various stations between the termini of the line resulted in reducing the average load for the entire distance to 80.9 tons. That was probably about 1/3 of the maxi-um load that the train started with from the terminal.

The consequence of that would be, necessarily, that in determining the cost per ton mile of handling business on that train, the divisor would naturally and necessarily be the average load carried throughout the entire distance.

The tons carried on the through or inter-state trains were about 5.8 times as much as on these local main line trains, and even if the cost of operating the local trains was no greater than the through or inter-state trains, the cost per ton per mile by the former would be 5.8 times as great as by the latter.

Mr. LATHROP:

Q. Before you pass from that Mr. Kendrick, you spoke of the maximum load of the local train: you mean by that all it had when it started out, and not necessarily that it was loaded to its full
8555 capacity?

A. I mean all it had at any one time during any one trip.

Q. Proceed.

A. Second, the increased cost of wages and of fuel on through or inter-state trains, as compared with local trains, was on the latter 4.2 cents and on the inter-state trains for the same items 7.65 mills per ton per mile, or about five times as much on the local or state traffic trains as on the through or inter-state trains, these comparisons being made for the months of July and August, 1908.

Mr. HAGERMAN:

Q. How did you come to select those two months?

A. We took them from our statistical records.

Q. Proceed.

A. The third reason is the greater cost of handling less-than-car-load freight in state business, and the much larger proportion of non-paying dead weight in such trains as compared with the cost of handling inter-state business in car-load lots, and the greatly reduced proportion of non-paying to paying tonnage.

This latter case may be illustrated by the results secured from an

actual ascertainment in the months of July and August, 1908, which showed that the inter-state trains carried an average of 1159 gross tons and 467 net tons, the latter being 40% of the weight of the trains.

Our local trains carrying state business, showed an average
8556 of 265 gross tons, and 80.9 net tons, the latter being only 30% of the total weight of the train.

The revenue producing weight of our state trains is only 17.4% of the revenue producing weight of our inter-state trains.

My fourth reason is the cost of maintaining stations, side tracks, stock pens and other facilities in connection therewith, which at all intermediate stations in Missouri are used almost wholly in connection with state business, the principal markets being Kansas City, St. Louis and St. Joseph.

The fifth reason is the greater proportion of terminal charges on account of every state shipment being handled twice. That is, at the point of receipt, and at the point of delivery, instead of one, as in the case of inter-state business.

Also the greater cost per ton per mile on account of the shorter haul, which is only about one-half of that of the inter-state, being as 44 is to 84.7 miles in Missouri.

For the purpose of ascertaining the relation between the cost of handling business on the main line, business of the two types, inter-state and trans-state business, versus local or state business, and using the theory I have already outlined, we compared the cost of operating the St. Joe Branch with the cost of operating the main line.

The St. Joe branch handles comparatively little interstate business, and the main line comparatively little state business.
8557 As I have stated before, the density of traffic on the St. Joe Branch in my judgment is about the same as it would be on the main line without the inter-state business that passes over it. The cost of operating the St. Joe Branch during the year ending June 30, 1908, was 1.22 cents per net ton mile. The cost of operating the main line in Missouri, during the same period was 4.38 mills per net ton mile. That is, it cost 2.8 times as much to operate the St. Joe Branch as to operate the main line. And if the inter-state business be discarded in accordance with cumberous decisions of the courts in state rate cases, it would cost 2.8 times as much to operate all of the lines in Missouri with respect to state business, as it now costs to operate the main line in said state for the transaction of state and inter-state business combined. In order to bring the rates on local business to a parity with those on through business, we would have to average 2.8 times the rate on inter-state business passing through Missouri, which is 1.07 cents, equal to 2.99 cents per ton per mile. That is, the present local rate is non-compensatory.

Q. Now have you any other illustrations to give, or can you give one in relation to one of your lines in eastern Kansas?

A. We have a line in Eastern Kansas extending between Leavenworth and Meriden Junction near Topeka, a distance of about 46 miles, running through a territory fully equal in every respect to

that traversed by our line in Missouri. Upon this line the
8558 average rate is 4.33 cents per ton per mile. We run only one train a day, but the line is unprofitable, and the expense of operation is 102% of the earnings.

We have another line running out of Arkansas City in southwestern Kansas, where the rate is over 4 cents per ton per mile. The country is fine agriculturally as every one knows who has traversed that part of the state, and the cost of operation is 132% of the earnings.

If our accounts were kept in such a way as to permit us to segregate various portions of the line, it would be found that no branch line attaching to the Santa Fe System is profitable; that no line can be profitable that does not enjoy interstate business.

In my judgment there is not a line west of the Mississippi river, unless it be the lines connected with the iron lines in Minnesota, the Duluth lines, where the local business is not conducted at a loss, and I include both freight and passengers.

Q. Will you tell us the cost of carrying passengers—will you tell us how the cost of carrying passengers is dependent upon the density of traffic, or whether it is or not?

A. It is dependent upon the density of traffic. The expenses attending the running of passenger trains composed of a certain number of cars is, of course, practically constant; and as has been stated in this case, if there is only one passenger on a train, theoretically, in order to make the business sustaining, he would have to
8559 pay the entire cost of running that train.

On the contrary if the train were filled to the limit of its capacity, the average result, a certain number of passenger miles, determined by multiplying the number of passengers by the actual distance they traveled, then the cost of transporting those passengers per mile would be obtained by taking the cost per train and dividing it by the number of passenger miles.

Passenger trains are run oft times in compliance with the laws of the constituted authorities of the state. Oft times for the purpose of building up business. And very largely for the accommodation of the public. There are no roads in the country that do not run passenger trains that don't pay.

The average cost of our passenger trains in the state of Missouri is about $1.04.

The COURT: Per mile?

A. Yes sir, per mile.

Q. That is state and inter-state?

A. It happens, Judge, that they figure out precisely the same. While the inter-state trains are very much heavier than the other, the more frequent stops made by the local trains the conditions under which they are operated, and the greater consumption of coal (which is about three times as much for the run as it is upon the through train) brings the cost of the local train up to that of the through or interstate train.

8560 Now anything less than $1.04 per mile in the way of receipts entails a loss to the company.

The Santa Fe road operates five through or interstate trains in each direction through Missouri. Those trains originate in Chicago or go to Chicago. Three of them go to the Pacific Coast. One of them goes to El Paso or Albuquerque and one to the states of Texas and Colorado. In addition it runs one local train. (I am speaking now of passenger trains.) It operates one train per day on the St. Joseph branch, and two trains per day on the *District* from St. Joseph to Atchison. A certain amount of the state passenger business, as I have said, is handled on the inter-state trains.

The average haul of the state passenger in the state of Missouri is 28.12 miles, and at 2 cents per mile that would of course pay 57 cents. Now in the case of a single passenger the Company has involved a loss when it has to stop its inter-state train to take on a passenger, who rides only 28 miles, because at 2 cents per mile that does not pay.

The COURT: The fare does not pay the expenses?

A. No sir, it does not pay the cost. It costs an average of 60 cents to bring a train which has acquired a speed of 30 to 40 miles an hour, the usual speed, to a rest and then accelerate it to that speed again.

Mr. HAGERMAN: That is for that item alone?

A. It varies from 28 cents for very light trains to one dol-
8561 lar and something in very heavy trains. This matter has been the subject of discussion for years, and while the cost of stopping and starting trains was the subject of considerable interest, and of several engineering papers, it has became the subject of peculiar interest since the advent of the electric railroads, since it has become incumbent upon the managers of the electric companies to ascertain that cost, because that is one of the points they make as to the desirability of transforming steam railroads into electric roads, especially for suburban traffic, the greater facility with which trains can be started and stopped.

The COURT: Not only facility but economy?

A. Yes sir, economy as well.

Q. They claim economy as well?

A. Yes sir, especially where there are a large number of trains units, such as they must have where the electric roads are used successfully.

Mr. HAGERMAN:

Q. Mr. Kendrick, you have been present in the court room while the experts have been testifying on various phases of the cost of conducting business?

A. Yes sir.

Q. And you have heard the various suggestions made both by counsel and witnesses, as to the various elements that enter into that question?

A. Yes.

8562 Q. Will you give the Court your judgment, taking everything into consideration, as to how much more it costs to con-

duct the state passenger business than the inter-state passenger business?

A. From 50 to 100 per cent more?

Q. At our request you have given us comparisons upon a ton mile basis, we having in mind the desire to see upon the question of increase, where, even upon that theory, it would lead to. I wish you would state whether or not there would be much difference between the ton mile basis of dividing expenses, and the revenue basis, if as to every shipment, of every character, a distinct account was kept of the character quality and weight, and of all the waste space of a car?

A. No sir, there would not, in my judgment.

Q. Of course the ascertainment of the increased cost of doing the business, whether you ascertain that upon a revenue or a ton mile basis, is one question. But the first question in one of these cases is the division originally of the expense as between the state and the inter-state business. That is to say you have your earnings all localized—that is to say, your earnings in Missouri?

A. Yes.

Q. The expenses are incurred upon joint trains and upon a joint service; now the question is as to the assignment as between state and inter-state of that expense against those earnings, before you
8563 get to the question of the increased cost, or the interest upon the return; how in your judgment should the division be made, upon the revenue or upon the ton mile theory?

A. I think upon the revenue basis, because the revenue basis involves the ton. Necesarily the revenue involves the weight of the commodity carried, the rate for which it was carried, and the distance over which it was carried.

Q. Do you know of any better or wiser method of ascertaining fairly that division?

A. No sir.

Cross-examination.

By Mr. LADD:

Q. Your line, or that part of it which begins at Kansas City and runs to Chicago, crosses the Missouri river near here, that is 8 or ten miles from here?

A. More than that, 25 or 30 miles.

Q. And then follows the main course of the river, down as far as Lexington?

A. Yes sir.

Q. And then runs through Carrollton in Missouri, to Marcelline, and La Plata, and enters Iowa at the Des Moines river. How far is it in Iowa from the point where you enter it to where you cross the Mississippi river into Illinois at Ft. Madison?

A. About 24 or 25 miles.

Q. So that from the point where your trains leave the State of Illinois on their way to California, they run entirely through
8564 Missouri, until they reach the Missouri river at Kansas City, with the exception of about 25 miles?

A. Yes sir.

Q. How far is it from the Des Moines river to Kansas City?

The COURT: 201 miles, didn't you say, Mr. Kendrick?

A. Yes sir.

Mr. LADD: I had some figures here, 145 miles?

A. I think probably you misunderstood me. I said the main line was 195.45 miles; that is from the Des Moines river to Blue Junction. And then the Belt Line 6.66, in which we own a half interest.

Q. I made a mistake there. I put it down as 145 instead of 195. You spoke of a branch line from Lexington to St. Joseph that is entirely in this state, isn't it?

A. Yes.

Q. And what did you say was the length of that, 76.38 miles?

A. Yes.

Q. And your principal comparisons were your main line, which I have spoken of before, and this branch line; that is correct isn't it?

A. Yes.

Q. On this Branch line, from Lexington to St. Joseph, you encounter at Lexington the Wabash railroad and the Missouri Pacific, don't you?

8565 A. Yes sir.

Q. At Lawson Point on the line on the way to St. Joseph, you cross the Chicago, Milwaukee & St. Paul railroad; that is correct, isn't it?

A. Yes sir.

Q. At Lathrop you cross the Chicago, Burlington & Quincy is that right?

A. Yes sir.

Q. At Plattsburg you cross the Chicago, Rock Island & Pacific and the Q. O. & K. C., is that correct?

A. Yes sir.

Q. At Gower you cross the Quincy, Omaha and Pacific; is that correct?

A. Yes sir.

Q. You do not run into St. Joseph entirely on your own track, do you?

A. No sir. We make connection with a terminal company in which we are part owners. It is owned by a half dozen companies.

Q. What distance is that?

A. The fraction of a mile.

Q. And at Debrett Junction, on the way, you cross the Chicago & Northwestern Railroad, don't you?

A. Yes sir.

Q. In a sense, then, on that line you are in competition

8566 more or less with all those roads, five or six of them?

A. In a sense we are. I don't think it amounts to very much except out of St. Joseph.

Q. That line does not pay, does it?

A. There is not a branch line in this country that by itself pays—without interstate business.

Q. That line does not pay with the inter-state business, does it?

A. I don't think it does.

Q. That line never did pay, did it, Mr. Kendrick?

A. No sir, and there is not a part of our main line that ever would have paid, if it had not been for the inter-state business.

Q. I want to ask you, perhaps you do not know, but I will ask you whether that line from Lexington to St. Joseph, was not down at the heel from time immemorial?

A. I presume so. It is in no different condition from what every other road in this country would be if it were not for the inter-state business.

Q. Your company owns a trans-continental line, we may call it, from Chicago to Los Angeles, on the Pacific Coast, doesn't it?

A. Yes sir.

Q. And your trans-continental business runs over the road from the Des Moines river to Kansas City?

A. Yes sir.

8567 Q. The whole of it?

A. Yes sir.

Q. It is concentrated on that main line?

A. Yes sir.

Q. Both passenger and freight?

A. Yes sir.

Q. Your comparison has been mainly, as I understood it, between through trains on that main line, and the local trains on the St. Joe and Lexington Branch: is that correct?

A. Yes sir.

Q. Where does it come from?

A. It comes from St. Joe, largely packing house products and beef, going to Chicago. There is some through or inter-state business in the form of merchandise, which finds its way into St. Joe, while the merchandise business out of St. Joe, I fancy, is largely state business: It is a distributing point.

Q. Have you divided the freight business on the St. Joseph line during this period, which your examination covered, between state and interstate?

A. No sir, I assumed that the conditions on the St. Joseph branch would affect the conditions that would exist upon the rest of the lines in Missouri, if it were not for the presence of the inter-state business.

Q. You haven't divided it, so you do not know how much inter-state business, either in tons or ton miles, or in revenue was done upon the St. Joseph branch?

8568 A. No sir, I have not divided them.

Q. How much inter-state business was done on your main line from the Des Moines river to Kansas City, as distinct from state business?

A. You mean in tons or ton miles?

Q. Either way?

A. I don't believe I can give you that. But our statistician, Mr. Peabody, who will follow me, can perhaps do that. I have not the figures before me.

Q. Do you know how much lighter the average loading of cars

in the state business is than in the interstate? I understood you to say it was light?

A. Yes sir.

Q. What is it?

A. On what they call peddling cars, that is cars that will say start from Kansas City going to Marcelline or the Des Moines river, and discharging their contents at various stations.

The COURT: A little at each station?

A. Yes sir. We assume 6 tons.

Q. You start with six tons?

A. We average them at 6 tons on the basis of experience. If it is a less-than-carload lot that is not a peddling proposition a problem as to the matter of local distribution, then the actual weight is taken.

8569 The weight of those cars will run to about 14,000 pounds, or 7 tons. Sometimes 15,000 pounds, but more frequently 14,000 pounds. The average weight of all cars on the Missouri Division in tons—or the weight of the average inter-state shipment, putting it in that way, will be from 36,000 to 40,000 pounds.

Mr. LADD: You are speaking of less-carload now?

A. I am speaking now of the carloads as compared with the less-than-carload. The less-than-carload, whatever it may be, in our experience is 14,000 or 15,000 pounds.

Q. Compare, if you please, state car-load freight with inter-state carload freight, average loading?

A. State carload freight with inter-state carload freight, you say?

Q. Yes.

A. I don't think there would be very much difference—It would depend a good deal upon the character of the commodity. Where a road is handling hay, then the state average load would be less, of course, than the average of the inter-state loads. If it were handling coal, it would be greater.

Q. I am asking you about your road particularly. The relative weight that you put into a car of state and of interstate freight?

A. I have not the means at hand to answer that question definitely, but my judgment would be that there would be no difference.

Q. Do you know the relative proportion of state and interstate, less than carload freight on your trains?

A. No sir.

8570 Q. What is the proportion of less-than-carload freight in tons or ton miles: what is the percentage of the less-than-carload freight on your road in Missouri, to the total tonnage.

A. You mean state freight?

Q. I mean the whole?

A. On our local trains——

Q. I mean take your entire business, Mr. Kendrick, what proportion of your entire business in Missouri, whether state or inter-state, is less-than-carload freight?

A. State business, a very large proportion of it. Of the business as a whole, a comparatively small proportion of it, I should say.

Q. What percentage?

A. I could not give the percentage. It is something that could be revealed only by an examination of the way-bills for a given period.

Q. You cannot answer that?

A. No sir, no one can.

Q. What are the two relative proportions between less-than-carload inter-state freight and the whole of the inter state freight, and less-than-carload state freight, to the whole of the state freight?

A. You mean the percentage of cars that are loaded to less than their capacity.

Q. I mean the percentage of less-than-carload freight in tons or ton miles, either?

8571 *Q.* I cannot answer that.

Q. Do you think that the percentage of less-than-carload freight is greater in the case of state freight than of inter-state freight on your road?

A. Yes sir.

Q. It is greater?

A. Yes sir.

Q. Have you any figures on that?

A. No sir, I don't think so. It is possible our statistician may have.

Q. Have you made a test of any typical trains on your road, so as to show how much state and how much inter-state, carload freight, there is in those trains?

A. Yes sir, we have done that very thing.

Q. Have you the figures?

A. Mr. Peabody will present those, if you please, Mr. Ladd. He has made those figures.

Q. In your direct examination did you give the earnings of the St. Joseph & Lexington Branch?

A. Not separately, no sir.

Q. Nor the expenses?

A. No sir.

Q. Has that been done?

A. No sir.

Q. So you cannot tell us how much of the expense has been apportioned to the branch lines?

A. I cannot tell how much of the expense has been appor-

8572 tioned to the St. Joseph Branch. Whether our statistician has segregated that I do not know. He can tell you, however, how much of the expense has been apportioned to the branch lines as a whole.

Q. Of course I mean the branch lines in Missouri?

A. I mean the branch lines in Missouri.

Q. That is the only one you have of any consequence, isn't it?

A. Yes sir.

Q. You yourself would not be able to answer that question?

A. I have not the figures before me.

Q. What is the established basis, if there is one, Mr. Kendrick, for dividing expenses between freight and passenger business?

A. More than 80%.

Q. I asked what is the established basis: Upon what basis is any division arrived at?

A. I was going to answer your question, pardon me. More than

80% of the charges can be located beyond question of a doubt. In regard to the balance, we adopt various methods. Car mileage, engine mileage, or such methods as may best serve our purpose.

Mr. HAGERMAN: Each one of the statements served on the other side has a tabulation on the back showing what each road has done in that respect.

8573 Mr. LADD: Have we one of those?

Mr. HAGERMAN: Each statement of each road shows how it is divided. I merely suggest that.

Mr. LADD: How much did you say could be located?

A. Over 80%, I should say.

Q. So there could be no dispute as to the question of the propriety of any theory of division, except as to the other 20%: is that correct?

A. Yes.

Q. Of what is the 80% made up?

A. I shall have to refer you in that case to our statistician, who does that and can tell you all about it.

Q. But your judgment is that as between freight and passenger expenses, there is only 20% about which there need be any question or dispute or disagreement?

A. That is my judgment.

Q. Did I understand you to say that the cost of operating a branch line was 1.22 cents per ton mile of freight?

A. Yes.

Q. What was the total cost of operating the branch lines?

A. You mean for freight?

Q. Yes.

A. Will you excuse me from answering that question, and ask Mr. Peabody, because it will save time?

Q. I understod you to say that the cost of operating the

8574 main line was 4.38 mills per ton mile?

A. Yes.

Q. That is for freight, of course?

A. Yes, that is for freight.

Q. That is the total cost is 1.22 cents, and 4.38 mills?

A. Yes sir, for freight operation.

8575 JAMES PEABODY, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. FRANK HAGERMAN:

Q. What is your position?

A. Stati-tician of the Santa Fe System.

Q. How long have you been engaged in that kind of service, and what has your experience been, and on what roads?

A. My railroad experience commenced with the M. K. & T. in 1872. I was general agent of the M. K. & T. in Texas for nearly three years succeeding that time. I then came with the Chicago, Burlington & Quincy, and was connected with that road on various

divisions until 1887. I then engaged more particularly in the study of railroad questions, meanwhile acting as editor of the Railway Review, until 1896, when I went to the Santa Fe as Statistician.

Q. And you have been with the Santa Fe ever since?

A. Yes.

Q. And you have kept various accounts and made various statements, and close detail study as to figures upon matters pertinent to these rate problems?

A. All the documents covering the entire traffic of the road, both in freight and passenger transportation business; and I will say that abstracts of all freight and all wheel reports of every train run on the system come to my office.

8576 Q. And in the various controversies and the investigations made by the interstate commerce commission as to rate and rate problems, you have been quite an active factor in investigating and assisting in the results of those investigations?

A. I have.

Q. For the purposes of illustration, have you made up upon your system, or from the accounts upon your system, that is the Missouri Division of the Santa Fe System, a statement for any period of time, showing the comparative cost of fuel and wages, upon the local and through freight trains, and of tonnage handled: if so, let us see what they show?

A. We made an investigation for the purposes of this inquiry into the cost of fuel and labor on the Missouri Division.

Q. That statement deals with actual cost for a period of time, upon the Missouri Division of the Santa Fe System of the fuel and the wages upon the through and local freight trains?

A. Yes.

Q. And it is made from the actual figures of your company for what months?

A. For the months of August and September.

Q. July and August, isn't it?

A. August and September is for fuel and July and August is for wages. Let me correct that. I have a consolidated statement for July and August, 1908, for both fuel and wages. I have

8577 also a detail of the fuel for the months of August and September, by trains.

Q. These are the actual figures?

A. Taken for that period of time, from the actual business of the Santa Fe System, for the purpose of showing the results.

Q. What is the result as to the statement for July and August, 1908?

A. The cost of train men on the local trains for July was $1293.25.

Q. As against what for through train men?

A. $6,374.92.

Q. In other words, the train men alone of the local trains, and of the through trains, the wages, were $1293.25 and $6374.92?

A. Yes.

Q. And for August it was what?

A. For August the train men on the local trains were $1,418.34 and the engine men $1,085.36.

Q. As against what for the through trains?

A. On the through trains the train men were $6,969.00 and the engine men $6,135.16.

Q. Without going into the details of that statement, what is the total for train men, engine men and coal; for July the local was what?

A. $3,775.28 as against $21,092.13.

Q. And what was it for August?

8578 A. For the local $4,045.46, and for the through $24,805.24.

Q. That is the gross cost of those three items for the local and through trains, regardless of the number of trains that were run?

A. Yes sir.

Q. Have you for those trains the net ton miles?

A. Yes sir.

Q. And also the cost per 10,000 net ton miles?

A. Yes sir. The net ton miles on the local train for July were 885,918, and the cost per 10,000 ton miles was $42.61.

The net ton miles of the through trains were 27,577,533 and the cost per 10,000 net ton miles was $7.65. That was for July.

For August the net ton miles were 911,986 and the cost per 10,000 ton miles was $44.36. That is for the local trains.

For the through trains the net ton miles were 33,431,941, and the cost per 10,000 ton miles net was $7.42.

Q. So now when you compare these ton miles upon the same division as between local and through trains, say from your actual figures, in which the comparative cost of fuel and wages, as between the two is shown, what is the result?

8579 A. The result is that for July it is about six to one.

Q. That is to say, the local costs $42.61 for every $7.65 of the through?

A. Yes sir, that is for July. And in August the local cost $44.36 as against $7.42 for the through.

Q. So from actual figures that is about six to one?

A. Yes sir, that is about six to one.

The paper identified by the witness is offered in evidence by the complainant.

The paper referred to is marked "Complainant's Exhibit 34."

Complainant's Exhibit 34 is in words and figures as follows, to-wit:

8580 Q. Mr. Peabody, have you prepared a statement showing the fuel consumption on passenger trains of the Missouri Division Main Line, Marceline to Kansas City?

A. Yes sir.

Q. For the months of August and September, 1908?

A. Yes sir.

Counsel for complainant offers in evidence the paper identified by witness.

The paper referred to is marked "Complainant's Exhibit 35."

Complainant's Exhibit 35 is in words and figures as follows, to-wit:

8581 Q. I believe you said, Mr. Peabody, that this paper marked Exhibit 35, is a detail of the fuel consumption alone on the Missouri Division of the Santa Fe line, between Marceline and Kansas City?

A. By trains, yes.

Q. In the first column you have the number of the train, and from those numbers you can tell which were through and which were local trains?

A. Yes sir. They were all through except the last two, 19 and 20.

Q. 19 and 20 are local trains?

A. Yes sir.

Q. And 1 to 10 inclusive are through trains?

A. Yes sir.

Q. In the second column you have the cost of the fuel?

A. Yes sir.

Q. And in the third column you have the average tonnage of the train?

A. Yes sir.

Q. And in the fourth column you have the cost per 100 ton miles?

A. Yes sir.

Q. That is compiled from actual figures?

A. Yes sir, from the actual figures.

Q. For those two months, in the ordinary course of business?

A. Yes sir.

8582 Q. Without going over this paper in detail as to each item, what is the proportion as to tonnage between—well, let us take No. 1, a through train, with 528 tons as the average tonnage of the train?

A. Yes sir.

Q. As against what in the local train?

A. As against 126 tons—or four to one.

Q. That average tonnage of the train runs up as high as 605 tons, doesn't it?

A. Yes.

Q. But there are four trains where the average is under 500?

A. It would average about 500.

Q. About 500 tons to 126½ tons?

A. Yes sir.

Q. That is about 4 to 1 more tonnage on each through train than upon the local train?

A. Yes sir.

Q. Now get the cost per 100 ton miles for the purpose of comparison. No. 19 and 20, the through trains, the cost is what on those trains?

A. It is .04488 cents, almost 4½ cents for No. 19; and .04058 for No. 20.

Q. That would be about .042 cents on the average?

A. 4¼ cents on the average.

8583 Q. What would it be on the through trains?

A. About .014 cents.

Q. That is about 3½ times more for the local than for the through.

A. Yes sir.

Q. Figuring upon 3½, and on the actual tonnage, it is about four times as much on the through as on the local: and when you get down to the cost, it is about 3½ times more for the local than for the through?

A. Yes sir. This is intended to show that although the local is much lighter, it costs much more to run it on account of the frequent stops.

Q. In this statement you are giving actual figures?

A. Yes sir.

Q. As to certain details by way of illustration of these general theories given by the experts?

A. Yes sir.

Q. Have you a detailed statement made from your actual records, to show the estimated reduction upon the Santa Fe railroad for the first six months of 1907, if they had been charging the regular fixed rate affected by the Missouri Maximum Rate Law of 1907, which we have enjoined?

A. I have.

Q. This statement shows the reduction in earnings upon the commodities affected by that law?

A. Yes sir.

8584 Mr. HAGERMAN: So your Honor will get the drift of the statement, it is intended to show an estimated reduction in earnings on the commodities affected by the law of 1907; that is, that if we applied the expenses as to the freight part of these cases, there would have been a still further reduction, had we not enjoined the state law—that is, if we had put those rates into effect.

Mr. LADD: Has the Santa Fe road put in a statement?

Mr. HAGERMAN: Yes.

Mr. LADD: Is what you have there, in that statement?

Mr. HAGERMAN: Yes.

Q. Without going into the details, the reduction in earnings for those six months, would have been how much on these commodities, affected by the law?

A. $25,384.95.

Q. Have you got the per cent that would be of your total freight?

A. No sir, I have not figured it.

At this point a five minutes recess was taken.

After recess the following proceedings were had:

Mr. HAGERMAN:

Q. Can you tell me now what per cent the $25,384.95, the estimated reduction in earnings would be of the total State earnings for the corresponding period?

A. 10.3%.

Q. That is the diminution that would have existed had these freight rates, which have been enjoined, been put into
8585 force?

A. Yes sir.

Q. That is, they would have amounted to 10.3% of the whole freight earnings?

A. Yes sir. That is scarcely a tithe of what the reduction is on every pound of grain, flour, salt, implements, etc., that crossed the state of Missouri; all suffered the same reduction.

Q. That is because of the thing we have already gone into by other experts, that as a matter of fact, whenever you make between the two rivers, the Missouri and the Mississippi, a mileage state rate, the result is that the inter-state rate goes in at the same figures?

A. Yes sir.

Mr. LADD: I will ask whether that diminution is on the basis of the law of 1905 or 1907?

Mr. HAGERMAN: 1907.

The COURT: The 1905 law having been repealed.

Mr. HAGERMAN: I think there is no misunderstanding between us, Mr. Taliaferro, that if the law of 1907 is confiscatory it necessarily would be so as to 1905, because the 1907 law reduced to some extent the rates fixed by the 1905 law. That is right, isn't it?

Mr. TALIAFERRO: I understand the losses would have been somewhat reduced.

Mr. HAGERMAN: That is, the rate was lower under the
8586 act of 1905 than under the act of 1907?

Mr. TALLIAFERRO: Yes.

Mr. HAGERMAN: So even if the 1905 act was in this case (we claim it has been entirely repealed), if we prove from the evidence that the 1907 act fixed rates which were confiscatory, we need not lose any time with the act of 1905.

The COURT: In other words, the law of 1907 was more favorable to the railroads than the law of 1905?

Mr. HAGERMAN: Yes sir.

Mr. LADD: May I ask what period of time this exhibit 36 covers?

A. One year.

Mr. HAGERMAN: I thought it was for six months?

A. It is practically the same thing.

Mr. LADD:

Q. That is for what year?

A. The year ending June 30, 1908.

Mr. HAGERMAN: It is practically the same for six months in the year?

A. Practically the same.

Q. I think the one we put in evidence is for the period of six months ending December 31, 1907. That was marked "Complainant's Exhibit 36"?

A. Yes sir.

8587 Mr. HAGERMAN: I will now offer in evidence a statement showing the estimated reduction in earnings on commodities affected by the Missouri Maximum Rate Law of 1907, for the year ending June 30, 1908.

The paper referred to is marked "Complainant's Exhibit 37".

Complainant's Exhibit 37 is in the words and figures as follows, to wit:

8588 Q. Exhibit 36 shows the reduction for the first six months of the same year?

A. Yes sir, exhibit 36 is a six months' statement, and is for the first six months of the fiscal year, July 1, to December 31, 1907. And Exhibit 37 is for the fiscal year ending June 30, 1908.

Mr. LADD: Is the percentage about the same?

A. 9.8%.

Mr. HAGERMAN: It is practically 10% for the purposes of the question I will now ask you.

That would make upon state earnings a total diminution for the year of practically $25,000?

A. Yes sir.

Q. And upon inter-state it would aggregate about $346,000, wouldn't it, on the same items?

A. Yes, the same percentage.

Q. Now have you a statement prepared from your actual business of the comparative results of Missouri passenger traffic for the years immediately preceding and succeeding the 2 cent rate law?

A. I have.

Q. Is this the statement I show you?

A. Yes sir.

The paper referred to is marked "Complainant's Exhibit 38."

Complainant's Exhibit 38 is in the words and figures as follows, to-wit.

8589 Q. On this exhibit 38 you have those results shown for what years?

A. The two cent rate law went into effect on June 19, 1907, so we have the comparison made from June 19, to the end of June; then for the year succeeding, and running to June 30, 1908, as compared with the corresponding period of the year ending June 1907. The intra-state, or state business is shown in the two upper tables of this exhibit 38.

Q. That is to say, the years 1907 and the years 1906?

A. Yes sir. It is shown by months.

Q. Without taking each month up, the number of passengers in 1907 increased what?

A. The increase was 19.6%.

Q. And the passengers carried one mile increased what?

A. 15.6%.

Q. And what was the revenue as the result of that?

A. A decrease of 1.8%.

Q. How did this increase in the number of passengers carried one mile run as to a normal increase? What is the normal increase from year to year? What ought to be the revenue increase?

A. The increase in passenger revenue on the trains I estimate for 1903 to 1904. The increase in 1904 over 1903 was 13.12%.

Q. That is in revenue.

A. Yes sir. Revenue on the entire system.

8590 Q. And this year instead of there being an increase in revenue of 13% there is a decrease of 1.8%?

A. I have it for each year right down.

Q. Go on and give it?

A. For 1904 to 1905 it increased 3.9%.

Mr. LADD: Is this revenue?

A. All this is revenue.

From 1905 to 1906 is increased 12.27%.

From 1906 to 1907 in increased 7.52%.

From 1907 to 1908 it increased only 2.23%.

The average of the total increases from 1903 to 1908 in passenger revenue is 60.68%.

The increase in mileage is only 20%.

Q. What was the average annual increase up to the time this two cent rate went into effect?

A. About 12%.

Q. And now the revenue has gone down 1.8%?

Mr. LADD:

Q. Those are system figures?

A. Yes sir.

Mr. HAGERMAN:

Q. I suppose Kansas would be your best state and Missouri practically next on the Santa Fe system?

A. Yes, I think so.

Q. Taking the system as a whole, would that be fairly representative without having the actual figures, for the benefit of the state?

8591 A. Yes, I should think so.

Q. Have you for that same period of time the increase each year in the number of passengers carried one mile?

A. You mean for those years?

Q. Yes?

A. No sir, I haven't those figures.

Q. Let us take the inter-state. What was the result after the two cent law went into effect, some time in October, about the first of

October, the carriers put the two cent rate into effect for the inter-state business?

A. We had to, we couldn't help ourselves.

Q. Why did you have to?

A. Simply because if we had not the passengers would have bought tickets from Chicago to the Missouri River, the rate being $12.50. For years it has been that rate. That made the rate $9.20.

Q. Did you on the Santa Fe find that actual condition existing those first three months?

A. We certainly did, and that is why we put in the other rate.

Q. They were running the inter-state into the state business?

A. Yes sir, they would buy a ticket from Chicago to Kansas City, and there get off the train and buy a ticket at the two cent rate.

Q. What was the increased percentage upon the interstate?

8592 A. The percentage of travel, the number of passengers carried, was 22.6. The percentage of passengers one mile was increased 19.1. But the revenue was increased only 9%.

Q. The increase of the revenue, on the system figures you gave, was an average of 12%?

A. For that year?

Q. No sir, for the previous years?

A. I don't think I understand the question.

Q. What was the increase in revenue in previous years per year? You have given that already for the system?

A. An average of 12% for five years.

Q. Without any distinction between state and interstate, that is?

A. Yes. I want to say in this connection, or I want to emphasize the fact of that reduction on the through rate. As you know the passenger rates of this country, so far as the western territory is concerned, are based upon the Missouri river, as it is called, being the basing line of all passenger rates. All rates to California, Colorado, New Mexico, Kansas and all through that western territory, base on the Missouri river, the rate being in former times $12.50 from Chicago to the Missouri river. The rates were made up by taking that $12.50 and adding it to a rate that might be made from Kansas City beyond. Take the rate the Santa Fe has, a regular rate of $72.50 first class from Chicago to California, and that rate is made

8593 up of the $12.50 rate from Chicago to Kansas City, and $60.00 from Kansas City to San Francisco. And the rate of $33.00 from Chicago to San Francisco is made up in the same way, the $12.50 rate from Chicago to Kansas City or the Missouri river, and the balance is the rate from the Missouri river to the Pacific Coast.

Q. So whatever may be legally the result of the contention whenever a mileage rate of 2 cents is put into force by the state, across the state line of Missouri, not only is your interstate traffic in Missouri affected, but practically throughout your entire system?

A. Every passenger we carried west of the Missouri river we find paid $9.20 to Kansas City instead of $12.50.

Q. And it has that effect on the inter-state traffic outside of the state, almost automatically?

A. Yes, it works absolutely automatically.

Q. Absolutely automatically, the minute you change the rate in Missouri, outside and on your through lines, and beyond the boundaries of Missouri, the rate is necessarily changed?

A. Yes sir.

Q. Does or does not that account largely for more of an increase in percentage of travel interstate than state?

A. That accounts for the difference between 90% and 19.1%.

The COURT: Why must the rates be arbitrarily fixed on the basis of Missouri rates?

A. That is a question I could not answer, Judge. It has been found in the course of building up transportation business, that basing points are necessary to the equitable conduct of it.

8594 So that by whatever route you travel going through these basing points, they will all take the same rates. Consequently, Chicago, the Missouri river and the Mississippi river have been used for years as basing points.

Q. I understand. I understood from Mr. Lathrop when he was here a month ago, explaining the railroad's side of it, why 30 or 40 or 50 years ago, when these rivers were an important practical factor in rates, both passenger and freight, that they should have been taken as basing points. And I can understand the contention of the railroads that having thus been fixed for many years, at a time when the rivers were a practical factor, in the meantime building up large interests in property and terminals, and business men locating warehouses, etc., and so on at these points—I see the force of that argument.

Mr. HAGERMAN: You wouldn't have any Kansas City if that were not true.

The COURT: Now you will get into an argument. I do not say whether it is sound or unsound. But aside from those arguments, of which I see the force, but whether they are controlling or not is a matter to be considered later, I do not see now, and never have been able to see (although I have never studied the question) why the Missouri river particularly should any longer be a controlling influence. I can see more clearly why the Mississippi River should be. But you and I and every other man of observa-

8595 tion knows that there haven't been three boats on the Missouri river in 30 years.

Mr. HAGERMAN: Yet the river stands there as a menace. It stands there ready to be used.

What I was trying to get from Mr. Peabody, rather than a dissertation upon questions already testified to by experts, is what are the practical results, what he sees every day in his work as statistician.

Q. Did you take from your books and accounts and actual figures in the ordinary course of business, an actual check of passenger trains on your main line in Missouri for a certain period?

A. We made a check for two separate periods. One from November 16 to November 24, 1908, and the other from November 25 to December 6, 1908.

Counsel for complainant offers in evidence the papers referred to by the witness.

These papers were marked complainant's exhibits 39 and 40 respectively.

Said exhibits are in the words and figures following to-wit:

8596 Q. Exhibit 39 is a statement made from through and local trains, showing first the train miles?

A. Yes sir, for that period of time, November 16 to 24th, 1908, inclusive.

Q. What is the next feature shown by it?

A. The first item of the statement is train miles in the through trains. The next item is train miles in the local trains during that period, in Missouri on the main line of the Santa Fe.

Q. The next sub-division is the number of inter-state passengers on through trains, and the number of state passengers on through trains, and then the number of inter-state and state passengers on local trains: is that right?

A. Yes that is right.

Q. What is the next feature of it?

A. It next shows the earnings from the inter-state passengers on the through trains, and from the state passengers on the through trains, and the same on the local trains.

Q. That shows the gross earnings from passengers?

A. Yes sir, the total earnings.

Q. You have reduced it down in the next items to the earnings per inter-state passenger, and per state passenger, on through and local trains respectively?

A. Yes sir. The individual payment made by the passengers.

Q. And next you have shown what?

8597 A. Next is shown passengers carried one mile on through trains, state and inter-state and passengers carried one mile on local trains, state and interstate.

Q. And next is what?

A. The next average miles hauled per passenger, state and inter-state, and the average miles hauled per passenger on local trains, state and inter-state.

Q. Just for a moment, as we are passing by. Let me answer you this question: on the through trains the state passenger travels on an average of 40 miles?

A. Yes.

Q. And on the inter-state 154 miles?

A. Yes.

Q. Nearly four to one?

A. Yes.

Q. Upon the local trains the length of the average haul is 21 miles for the state, and 37 miles for the interstate?

A. Yes.

Q. Less than two to one?

A. Yes.

Q. What does that show as the average cost per passenger train per year per mile?

A. The words "for year" should have been put in parenthesis. It is made on the basis of a year, ending June 30, 1908. The cost was $1.048 on the Missouri Division.

Q. What did the other item show?

A. The next item to that is proportion of passenger train
8598 earnings. That is to say what proportion the mail, express bore to the entire earnings; and the earnings from passengers as related to the entire passenger train earnings, the proportion was 65.77.

Q. The passenger proportion of passenger train expense was what?

A. That is ascertained by taking the per cent of $1.048 and applying that proportion of the passenger earnings to it, which makes 68.93 cents per mile for passengers. That is the expense of the train for the passengers.

Q. You follow that with a statement of the total passenger expense of the through and local trains, stating what it is: Now what does that expense include?

A. That includes all the expenses of the train, everything.

Q. Of the movement of the train?

A. The entire operating expenses of that train. It does not include any interest charges, or anything of that sort.

Q. Get down to the summary and see where that leads. As I understand these are the results of actual checks on these particular trains, finding out who were the inter-state, and who were the state passengers, both on the through and local trains, upon those particular dates?

A. Yes.

Q. Now the result of that is that you summarize the cost: how do you arrive at that?

A. To do that intelligently, will you let me go back a
little?

8599 Q. I want you to do it that way?

A. And if you will follow the analysis, I do not think you will have any difficulty in understanding.

We make up our general accounts an absolute division. We make up and keep constantly, and have for the past seven or eight years, an absolute analysis of the cost of operation as between freight and passenger, and as between the different roads of the system, and between the main line and the branch lines of the division. So we are able to say what it costs us to operate our trains, both freight and passenger on any portion of the road, and on all portions, for that matter. We ascertain that the cost of our passenger trains on the Missouri division, by that computation, on the main line of the Missouri Division, for the year ending June 30, 1908, was $1,048 per train mile. I took that as my basis of cost for these trains operating on the Missouri Division, considering that a year's average would be at least fair.

We had on the Missouri Division 18,693 through train miles during this period. They earned this amount of money, and carried this amount of passengers, and so many of them were state and so many were inter-state. And the data is all shown for the basis of

the calculation which follows. I do not think it will be necessary to repeat those items.

As I said we found the average cost per passenger train for the year to be $1.048 on the main line of the Missouri Divis-
8600 ion.

Quite a large portion of the earnings on passenger trains are in the mail, express and other things, which attach to that, so that in order to ascertain the cost of carrying the passengers, we must deduct from the total cost the proportion that is earned by the mail and express, that being a reduction on the basis of earnings.

We found that the proportion of mail, express and miscellaneous was 34.23%. That would leave for the proportional charge of the passengers alone 65.71% of the $1,048. That proportion is 68.93 cents per passenger train mile on the trains on the main line of the Missouri Division.

Then in order to ascertain whether or not there was any difference between the local trains and the through trains, we made an investigation into the costs of these trains, a part of which has been shown in the statement of wages paid, and the statement of fuel cost, which have been submitted here. We found somewhat to our surprise that the cost of the local train was almost exactly that of the through train. There was only a fraction of a cent difference in the cost for a period of two months for these two kinds of trains, the local and the through, so we used the 68.93 cents as the basis of expense for both through and local trains. That would make a total passenger expense for the through train of $12,885.08, and would make the passenger expense of the local train $2,493.89, making the average cost per passenger per mile on the through trains 1.5684 cents, and the average cost per passenger per
8601 mile on the local trains was 3.753 cents. But of course some of those through trains carried inter-state passengers, and some of the local trains carried inter-state passengers, so we subdivided them. We multiplied the cost of the inter-state passengers on the through train by the cost per passenger mile of the through train, and got the cost for the inter-state passenger on the through train of $11,286.12. We then multiplied the cost of the inter-state passengers on the local trains by the cost of the passenger on the local train, and the cost of the inter-state passengers on the local train was $317.88.

Q. That is giving the benefit to the state, and is against the railroad?

A. Yes. It costs just as much to carry an interstate passenger on the state train as it does to carry a local passenger on the state train. That makes the total cost of the interstate passenger $11,-684.00.

Q. That is the cost of all the inter-state passengers upon that system of road for those days, whether they were carried upon the local or upon the through trains?

A. Yes. That is equal to 1.591 cents per passenger mile, or a little over 1½ cents.

Then I believe the same applies to the state passenger.

I applied that same rule to the state passengers. The state passengers on the through trains were computed at the same
8602 rate as the through passenger on the through trains 1.5684 cents, which made for the cost of the state passengers on the through trains $1,599.06. I then computed the state passengers on the local trains at the cost per passenger mile of the local train, and it made an amount of $2,175.91, making a total of state passenger cost of $3,774.97. That is equal to 2.36 cents per passenger mile, or 48.33% more than the inter-state.

Q. Did you prepare this exhibit which I will now offer in evidence?

A. Yes.

The paper referred to is marked complainant's Exhibit 40.

Complainant's exhibit 40 is in words and figures following to-wit:

8603 Q. Exactly the same method was adopted with Exhibit 40, as was following with Exhibit 39, Exhibit 39 covering the period November 16 to 24 inclusive, while exhibit 40 covers the period November 5 to December 6, 1908 inclusive?

A. Yes sir, exactly the same.

Q. And the final result of that was to make what?

A. The final result of that, computed on exactly the same method, made the cost of the interstate passenger 1.444 cents per passenger mile of travel, less than it was on the other. It made the cost of the state passenger 2.154 cents per passenger mile, or 49.2% more than the inter-state.

Q. In other words, for nine days in November the actual extra cost figured out was 48.33%, and for the nine days from November 25 to December 6, 1908, it was a fraction over 49%?

A. Yes sir, 49.2. Of course that would vary with the number of passengers.

Q. Now, then, in the first instance it actually cost you 2.36 cents to carry a state passenger, and yet the law authorizes you to charge only 2 cents?

A. That is all.

Q. And for the other period of time, it actually cost you 2.154 cents to carry the state passenger, and you got only 2 cents from them?

A. Yes sir.

8604 Q. Those figures are made directly, without choosing any date for any specific purpose, but are taken from the ordinary operation of your road?

A. When the Court adjourned here early in November,—it was on Saturday I believe,——

The COURT: Yes, it was Saturday.

A. I started this investigation, or rather I arranged for it on Sunday, and the next day, Monday, it was started and continued right on down. That was the period we took.

Q. So the sum and substance of it now, is that after years of ex-

perience on the Santa Fe, in your total revenue there has been a substantial decrease, whereas under normal conditions you should have had more than 12% increase?

A. That is right.

Q. And when you get down to the detailed actual cost estimated for two different periods of time, the actual cost of the state passenger is in one case .36 cents more than you received per mile, and in the other it is .154 cents more?

A. Yes sir, that is right.

Q. Have you a tabulation analyzing the relative cost of transportation of state and inter-state freight in Missouri?

A. I have. I don't know that I stated it, but I want to do so, that this check was made by putting men on all the trains both freight and passenger, and ascertaining the result from the actual work done on those trains.

8605 Q. Before we proceed to the state freight question, I want to see if I understand you, and see if there is any misunderstanding about the Court understanding you.

The result of these figures is that so far as your gross revenue from your state business is concerned, where you ought to have more than a 12% increase each year, as a normal increase, you have in reality had a 1.8% loss?

A. That is right.

Q. And when you deal with it from the actual cost of each particular passenger, it actually cost you from 15 to 33 per cent more than the law authorizes you to receive from the state passenger?

A. Yes, sir.

Q. And that result is reached by you from your actual tests, by men taking the actual accounts?

A. Yes sir, actually counting the passengers.

Q. So there cannot be any ifs and ands about that?

A. No sir.

Q. There is no allowance for interest included in these figures, is there?

A. No sir, nothing at all, except the operating expenses. There is no allowance for taxes.

Q. And when you reduce it down, you do not care what any experts may say is his opinion, but figuring it out from those tests and the actual operations of the road, the actual extra cost of the state over the inter-state, was 48.49%.

8606 A. It was.

—. Have you also analyzed the relative cost of transporting the inter-state and state freight in the state of Missouri, on the Santa Fe road?

A. I have made a similar analysis, as applied to the freight business.

Q. And from actual tests, and these are actual results?

A. Yes sir.

Q. And for what period of time do these tests cover?

A. The first one was from November 18 to November 24, 1908, and the second was from November 30, to December 6, 1908.

Mr. HAGERMAN: I will offer in evidence this statement:
The statement referred to is marked Complainant's Exhibit 41.
Complainant's Exhibit 41 is in the words and figures following, to-wit:

8607 Q. Let us take that statement from the beginning to the end, and explain it, so the Court may understand exactly how that was done, and what result is reached. Give it a little bit in detail, as to how you got this result, before you got to the figures?

A. Necessarily, this was a little more complex than the passenger test. We first use as the basis the average train mile cost for the same year, as was used on the passenger statement, on the main line of the Missouri Division. Then we took that train mile cost which inclued all expenses, and we deducted from it the amount that was included therein for "handling expenses." That is to say, the station expenses and the yard expenses on the main line of the Missouri Division. Deducting that from the total expense, as found by the computation on the basis of cost per train mile, we have the sum which it costs to handle those trains with the handling expenses deducted—that is handling the tonnage.

Then we made an analysis of the business on the through trains, and we found how many trans-state tons and ton miles, how much interstate business, tons and ton miles, how much state business, tons and ton miles, on both through and local trains?

Mr. LATHROP:

Q. How did you get at that? Before you got to the figures, what was the basis used?

A. We got the way-bills.

8608 Mr. HAGERMAN:

Q. You went to the actual transactions, covering both the through and the local business?

A. Yes sir, on every train running at that time.

Q. There was nothing abnormal during that period?

A. No sir.

Q. This business was transacted in just the ordinary course?

A. Yes sir, it was for the same period as the other statement. We went after it immediately after the adjournment of court here in November. We went to the way-bills themselves, and got these actual figures.

Q. Proceed, Mr. Peabody.

A. Then we found out how much the through train cost per ton mile, by dividing the cost of the through trains by the tons actually carried by the through trains. We then did the same thing in regard to the local trains. Then we applied the number of tons handled on the train to the handling cost, and we found out how much it cost per ton to handle that stuff. Then we computed the cost for handling on the amount per ton.

Then we made a summary. We took the cost of the trans-state tons at the average cost for the through trains. We also took the

trans-state ton miles at the average cost per ton mile of the through train.

We next took the cost of the inter-state tons, on the basis
8609 of the inter-state ton miles at the same average cost as the trans-state tons, because it costs just as much, leaving out the handling expenses, to transport an inter-state ton as a trans-state ton, and no more.

Then we took the inter-state tons carried on the local trains, at the cost of the local tons, because it costs just as much to handle an inter-state ton on the local trains, as any other ton.

We added those al- together, and then we added the handling expenses on the through trains, and thus ascertained the total cost of the inter-state tons. Then we followed the same process with the state traffic.

Q. When you got through you have compared on the same Division of the Santa Fe Road, for the same period of time, every train running upon the road, and every pound of freight carried, whether it was state, inter-state, or trans-state?

A. Yes sir.

Q. What is the result as to the cost of the inter-state freight?

A. The trans-state freight cost for handling 3.784 mills, which made a total cost——

Q. I do not want the details on that subject?

A. The average cost of the inter-state freight per ton mile, was 4.35 mills.

Q. That includes the trans-state freight and its cost?

A. Yes sir.

8610 Q. And the inter-state freight with its cost?

A. Yes sir. With one handling cost.

Q. It included the inter-state freight, whether it was carried upon a through train or a local train?

A. Yes sir.

Q. And that is 4.35 mills?

A. Yes sir.

Q. Now in the same way you have dealt with the state freight, except that of course in that case there is no trans-state freight?

A. That is right.

Q. And that cost is how much?

A. That cost is 13.19 mills.

Q. The result of these compilations is that is costs how much more to handle the state than the inter-state including the trans-state?

A. A trifle more than three times.

Q. That is to do the state than to do the inter-state business?

A. Yes sir, for the period referred to.

Q. You have a like statement for a like period——

A. Exhibit 41 covered the period November 18 to November 24, 1908, inclusive, and I have a statement covering the period November 30, to December 6, 1908, inclusive one more day.

Q. What is the period there?

A. Six days.

8611 Q. And did you apply the same method to this statement as to exhibit 41?

A. Yes sir, the same method was followed.

Mr. HAGERMAN: I will offer in evidence the paper referred to by the witness.

The paper referred to is marked Complainant's Exhibit 42.

Complainant's Exhibit 42 is in the words and figures following, to-wit:

8612 Q. All you have said as to your methods of ascertainment and calculation as to Exhibit 41, is applicable to Exhibit 42?

A. Yes sir.

Q. What is the result for that period?

A. The average cost of the inter-state freight per ton miles was 3.9 mills, and the average cost of the state freight per ton miles was 14.64 mills.

Q. And that is how many times as much?

A. 3¾ times as much.

Q. The reason you separated the handling expense was, because that was a fixed charge?

A. That is not handled on the basis of ton miles, but on the basis of tons.

Q. That is the actual service it gets?

A. Yes. For illustration, a ton that travels one mile does not make as many ton miles as one that travels 30 miles, but the cost of handling that ton at the end is exactly the same. For that reason we did not apply it on the basis of ton miles. The state freight has two handlings, whether it goes one mile or fifty; and the inter-state freight has one handling whether it goes one mile or fifty.

Q. And the trans-state freight has none?

A. None in Missouri. So we eliminated that entirely from the computation, and put it in on the basis of tons handled.

8613 Q. Have you any figures in tabulated form as to the increased cost of labor and material, as has been testified to by other witnesses?

A. I will have that in this morning's mail. It will probably be here this afternoon. At least I expect it. I wired for it.

Q. Will you also have the data as to the number of men laid off?

A. I have that here now.

Q. What is that

A. Every year we make a statement which is required by and is submitted to the Inter-state Commerce Commission in our annual report, of the number of employés, the rate of pay, the amount of compensation, etc., on all our roads. I wired for that information to our office at Chicago, and got a telegram last evening and we made up this statement.

The number of miles on the Atchison, Topeka & Santa Fe proper——

The COURT:

Q. The system?

A. No sir, not the system. The Atchison, Topeka & Santa Fe

proper, which embraces also the California line and down as far as Purcell, and what we call the Gulf Line.

Q. Where is Purcell?

A. About half way down in Oklahoma.

Mr. LATHROP: Under the Texas law we have to maintain a separate organization in the state of Texas.

A. In the year 1907 the number of employés on the road
8614 averaged 4-,314.

In the year 1908 it averaged 37,088, making a reduction of 7,226 employés.

The compensation for the year 1907 was $27,328,268, and for 1908 it was more than that; although the employés were less in number, it was $27,714,918.

The rate per day in 1907 averaged $2.245.

The rate per day in 1908 averaged $2.375.

The income per man per year for 1907 was $517.00 and for 1908 $747.00.

The COURT: So you have raised the wages?

A. Yes sir, but we could not keep up the force. We had to let them out.

I have the figures for the Gulf line.

In 1907 we had 8,696 men.

In 1908 we had 7,132. That is a reduction of 1564. The compensation for 1907 was $4,956,651. For 1908 it was $4,841,529.

The rate per day in 1907 was $2,255, and for 1908 $2.35.

The compensation per man per year was $570.00 in 1907 and $679.00 in 1908.

Mr. HAGERMAN:

Q. In a general way Mr. Peabody, you have decreased the force, economized in that way, possibly, using almost drastic methods because of this legislation along the line of your system?

8615 A. We haven't done so much of it as some of the others, to our cost, but we have had to do a great deal.

Q. In order to make both ends meet?

A. Yes sir. Our road was in good shape, and we had to keep it in good shape, and we did not sacrifice our road even for that.

Q. Notwithstanding the reduction in the force, and the economies that you put into practice, the result is that there was a very large increase in expenses?

A. Yes sir, although we reduced the force it costs us a great deal more.

Q. And material was costing more, and the men were costing more in the way of wages, etc?

A. A great deal more. And this does not include construction and improvement work. Thousands of men were employed in 1907 and prior thereto, in construction and improvement work, which we had to lay off at that time.

Q. You had in contemplation before these laws were put into force, great improvements of different times?

A. Yes sir, and we had to stop it. We were double tracking

in Illinois and in Kansas. Lots of new lines were projected to develop certain territories, and we had to abandon that because we did not have the money, and could not get it.

Q. You could not make the earnings you had formerly made?

A. No sir, we could not make the earnings.

Recess was here taken until 2 o'clock.

8616 After recess on Thursday, December 18, the following proceedings were had.

The Direct Examination of James Peabody continued as follows:

Mr. HAGERMAN:

Q. Since adjournment *since* Mr. Peabody have you received by mail the memorandum of which you spoke this morning, showing the comparative cost of railroad material?

A. I have.

Q. And that covers a period from 1897 to 1906?

A. Yes sir.

Mr. LEHMANN: I will offer in evidence the paper identified by the witness.

The paper referred to is marked Complainant's Exhibit 43.

Complainant's Exhibit 43 is in the words and figures following to-wit:

8617 Q. Without going through the amounts, just give the percentages on some of the important items you have there, showing the increase from 1897 to 1906?

A. I want to say particularly that these prices are taken from our actual contract prices on our books. They are not the quoted prices, but the prices we paid.

Sawn ties cost us in 1897 18 cents; in 1906 56 cents, or an increase of 211%.

Hewn ties showed an increased in cost of 173%.

Hewn ties treated showed an increase of 85%.

Yellow Pine Lumber of low grade showed an increase of 108.7%.

Yellow Pine, high grade lumber showed an increase of 77.5%

Steel rails showed an increase of 71.1%.

Spikes showed an increase of 34.9%.

Track bolts showed an increase of 27.3%.

Bar Iron showed an increase of 58.3%.

Coal showed an increase of 49.1%. Coal of course is one of the largest things we require. It is next to the largest single bill we pay.

The COURT: What is the largest, steel rail?

A. No sir, the largest is wages. The wages of engine men is the largest.

Q. And coal comes after wages?

8618 A. Not all wages. The wages of engine men is the largest item and coal is the next, in the sub-division of accounts.

Mr. HAGERMAN: And then comes steel rails?

A. I don't know anything about that.

The increase in the cost of nails was 38%. Of bridge girders 65%. Of Bridge beams 36%. Of wheels 42%.

Freight cars of 60,000 pounds capacity, the increase was from $575.00 in 1897, to $950.00 in 1906, and they are now almost $1100.00

Locomotives, using the same unit of capacity, the increase was from $10,680 to $18,154.

Q. That is an increase of 70%?

A. Yes sir, that is 70%.

Q. Proceed.

A. I heard testimony here yesterday or the day before yesterday concerning the extra cost attached to repairing locomotives on the through and local trains, and I then wired our division superintendent at Marceline to send to my office in Chicago the numbers of two locomotives that we use on the local trains, and two that we use on the through trains, that had been in use for the last two years. I did this without giving him any information of any sort, simply gave him those instructions. I then wired my office in Chicago to send me the record of those four locomotives. They did not know what I wanted it for. I keep in my office a record of every individual locomotive on the system; the wages paid, the various kinds
8619 of service, the engine miles, the service she does, the amount she pulls. We keep a record, a regular debit and credit account for every locomotive on the system, and so I had that record sent me for those four.

The COURT: What you are getting at is the expense of those four locomotives?

A. Yes sir. They took it for two years ending in October. This shows the record for the engine assigned to trains No. 55 and 60; it averaged 30.35 cents per 1,000 gross ton miles for repairs.

Q. What do you mean by that?

A. Pulling, 1,000 gross ton miles.

Q. Regardless of distance?

A. Yes sir. That is the only way you can measure it.

Mr. HAGERMAN: It cost 30.35 cents per 1,000 gross ton miles for repairs?

A. Yes.

Q. You mean over and above what the engineer would do while he was out on the run?

A. Yes sir, these are the shop repairs only.

Q. Every engineer puts in new bolts and such things as that while he is out on the run, if it is necessary?

A. Yes sir, but this statement refers to the repairs made in the shop and the round houses by the repair men.

Q. Are these for the through train?

A. No sir, those are both locomotives on the local train.

8620 Q. What was the number of that engine?

A. That was No. 284.

Q. And what is the next engine?

A. Engine 287 assigned to trains No. 59 and 60.

Q. Is that for a through or local train?

A. That is a local train.

Q. And what does that show?

A. The average repairs for engine No. 287, during the period referred to, amounted to 25.67 cents per 1,000 gross ton miles. That is five cents less for the two years.

Q. What is the next one?

A. Through train locomotive No. 1816 averaged 9.31 cents per 1,000 gross ton miles for repairs. No. 1819 averaged 8.15 cents.

Q. That is more than three to one?

A. Yes, more than three to one.

Mr. HAGERMAN: I will offer in evidence the statements of individual records of locomotives.

The papers referred to are marked respectively Complainant's Exhibits 44-*a*, 44*b*, 44-*c*, 44-*d*.

The above Exhibits are in the words and figures following to-wit:

8621 The WITNESS: I omitted a little item in the question of wages this morning.

Nearly a year ago, in the early part of this year, I made a computation of the effect of the increases in the wages on the line in the last two years, because of the advances in salaries, and on the system it amounted to a little more than $3,000,000 for the year.

The COURT: That is something I don't know about. You have decreased the number of employés, but the amount paid out in round numbers is about the same?

A. The figures are increased $3,000,000 at the rates we paid at the old scale.

Q. I am speaking about your testimony before recess. You said your number of employés was decreased so many, but the amount in wages, in round numbers, was about the same?

A. Yes sir, in one case slightly more and in the other case slightly less.

Q. I did not know about the laboring men all over the country getting an increase in wages generally?

A. So far as the railroads are concerned I have not any official knowledge of the rates of wages paid by the other companies in the last two or three years, but I think they have all increased very materially.

Mr. HAGERMAN:

Q. Explain that increase?

A. This $3,000,000 if applied to the former number, had we not discharged anybody——

8622 The COURT: If you had not discharged anybody, you would have been out $3,000,000?

A. Yes sir. If we had paid at the same rate as before, with the same number of employés, it would have been that much.

Cross-examination.

By Mr. LADD:

Q. Mr. Peabody, referring to your exhibits 39 and 40, by your main line there you mean the tracks between Kansas City and the Iowa state line?

A. Yes sir.
Q. About 195 miles?
A. No sir, 201 miles.
Q. You took all the trains, both local and through?
A. Yes.
Q. For the period mentioned, about two weeks?
Q. Yes sir.
Q. I wish you would give me separately by their numbers, the through trains?
A. 1 to 10 inclusive; the odd numbers west bound and the even numbers east bound.
Q. Five trains each way?
A. Through trains.
Q. Where do the east and west bound trains of the kind you are speaking of, start from?
A. Chicago.
8623 Q. Where do they terminate their journey?
A. Some of them in California, some of them in Galveston, some of them in Albuquerque; they are all through trains.
Q. They all of them go beyond Kansas City?
A. None of those trains stop at Kansas City—I beg your pardon, but No. 10, while it lays over in Kansas City, is practically a train out of Kansas City. It is made up in Kansas City, although it is east bound.
Q. Is that an east bound or a west bound train?
A. It is east bound.

The COURT:

Q. The even numbers are all east bound?
A. Yes sir. That train is made up here in Kansas City. While it carries through passengers, most of them remain over here for the day.
Mr. LADD: It makes connection with the train for the west that has come in previously?
A. Yes sir. It is our 6 o'clock train out of Kansas City.
Q. Your odd number trains go west?
A. West.
Q. And the even number trains go east?
A. Yes.
Q. How is train No. 1 made up, what constitutes it?
A. You mean the consist of the train?
Q. Yes, as it goes through Missouri, of course?
A. The consist of the train from Chicago to Kansas City, is one baggage for El Paso, which goes out of Kansas City on
8624 No. 7. One baggage and sometimes a chair car for Los Angeles. One sixteen section tourist car for Los Angeles. One sixteen section tourist car for San Francisco, on No. 7 from Kansas City. One standard drawing room sleeper for Los Angeles. One standard drawing room, two compartment cars for Kansas City. One diner, Marceline to Kansas City. One diner. One coach for No. 10.
Q. Any express?

A. No sir, that is all. "Baggage car" means baggage, express or mail, as the case may be.

Q. If there is any express or mail carried on those trains, it is carried in one of those cars?

A. The definition "baggage" does not mean necessarily that it is used for baggage. It is simply the style of car. We use "baggage" to express it indiscriminately.

Q. Have you given me all the cars?

A. Yes sir.

Q. Give me the consist of No. 3: that is a west bound train?

A. Yes. One postal car to Kansas City. One composite car for Los Angeles.

Q. Is that a passenger car?

A. Yes sir.

Q. A sort of combination?

A. A sort of smoker, buffet arrangement.

Q. Proceed.

8625 A. One diner for Los Angeles, one compartment car for Los Angeles. I will say that the composite car carried bag gage as well.

One standard for San Diego. One standard sleeper for San Francisco. One observation car for Los Angeles.

This is the regular official consist. Of course it is likely to be varied. It is never any less, but it is sometimes more.

Q. Often more?

A. That depends on circumstances. I can't tell you about that.

Q. Please give me the consist of No. 5?

But before we pass to that, let me ask you this question: on No. 3 you do not have any ordinary day coaches?

A. No sir, that is the limited train.

Q. Now give me the consist of No. 5?

A. One baggage car to Galveston. One baggage car to Denver. One smoker to Denver. One through car goes on that train at Ft. Madison, and runs to Kansas City. One chair car to Denver. One diner, Chicago to Kansas City. One sixteen section tourist car for Boswell, New Mexico, on the first and third Tuesdays: that is two days in the month. One standard sleeper for Denver. One tourist car for Amarillo. One standard sleeper for Cleburn, Texas. One observation car for Kansas City.

Q. Give us the consist of train No. 7?

8626 A. No. 7 is the fast mail train.

The COURT:

Q. Does that carry passengers?

A. Yes, it carries passengers, but it is the fast mail train. It carries one postal car to Kansas City. That comes back on No. 4, and another postal car comes back on No. 6.

One baggage car for Galveston. One baggage car for Oakland. One baggage car for Point Richmond. One baggage car for Los Angeles. One baggage car for San Francisco. One chair car and smoker, Kansas City. One diner Marceline to Kansas City.

Q. Give me the consist of train No. 9?

A. One baggage car to Denver. One postal car to Kansas City One baggage and mail for Kansas City. One smoker for Albuquerque. One chair car for El Paso. One tourist for San Diego. One standard sleeper for Los Angeles. One cafe car to Kansas City.

Q. Are the corresponding even number trains constituted in about the same way?

A. Those cars have to come back on the five trains. Whether they are divided just that way, I don't know.

Q. Then the corresponding trains of even numbers would be constituted in about the same way: is that about right?

A. Presumably so. I have not examined to see.

Q. Now about your local trains in Missouri during that period, on the main line: how many did you have?

8627 A. We had two. No. 19 and No. 20. No. 19 westbound, and No. 20 eastbound.

Q. Where did No. 19 start from?

A. No. 19 starts from Ft. Madison.

Q. And No. 20 starts from Kansas City?

A. Yes.

Q. One train a day each way?

A. Yes, day-light trains.

Q. Take your west-bound train No. 19, in passing through Missouri, how is it constituted?

A. One coach and baggage combined. One other coach. One chair car. Another chair car. Two coaches and two chair cars.

Q. And what is the consist of the east-bound train?

A. The same consist on the east bound train.

Q. Is there any mail or express on those local trains, or do you put that into the baggage car if there is any?

A. No cars other than whatever goes into this coach and baggage combination car. There must be some mail and express on that train, I suppose, because they stop at stations at which no other trains stop.

Q. What, then, Mr. Peabody, is the average number of cars of all kinds on each of those through trains?

A. I could not tell, without making the computation. It is a mere matter of mathematics.

Q. I will not ask you for it, then.

I will ask you if they do not average nine cars to the train?

8628 A. Forty-six cars and five trains would make 9-1/5 cars.

Q. And the local car average is 4 cars?

A. Yes, four cars.

Q. And on the average, the cars on the local trains are very much lighter than the cars on the through trains, aren't they?

A. I should say somewhat lighter. I do not know the weights, is the only reason I qualify it. But my impression and my opinion is that they are lighter.

Q. The sleepers are the heaviest cars, aren't they?

A. Yes, sir, the sleepers are the heaviest.

Q. The engine on the through train is also heavier, isn't it?
A. I don't know about the weight of the engine. Yes, those particular engines we were referring to are heavier.
Q. The baggage cars on the trans-continental trains, your trains running from Chicago to Texas or Colorado or California, as the case may be, are they heavier loaded than the baggage cars on the local trains you have mentioned?
A. I don't know?
Q. Take your exhibits 39 and 40: down toward the middle or a little below, you will see the average cost per passenger train per mile, is $1.048?
A. Yes sir.
Q. That is the cost of the train mile?
8629 A. That is the average cost of running a passenger train on the Missouri Division for one mile, for every mile they ran.
Q. That is the entire cost?
A. That is the entire cost of the operating expenses. It does not take account of taxes or interest, or anything of that sort.
Q. Taxes or interest are not included?
A. No sir, or rentals. That is only what are called "Operating expenses".
Q. It includes the cost of the movement of the trains?
A. Yes sir.
Q. The terminal cost?
A. Yes sir.
Q. Of the maintenance of way and structures?
A. Yes.
Q. Of the maintenance of equipment?
A. Yes.
Q. Of traffic expenses?
A. Yes.
Q. And of general expenses?
A. Yes.
Q. I would like to ask you Mr. Peabody if you think that is entirely fair to a local train, composed of four cars, to charge it as much for the maintenance of way and structures, and maintenance of equipment, as you would charge a heavy train of nine
8630 cars?

—, ——.

Q. You do?
A. I do. We made an actual test of all the items we could locate, and we prorated on those we could not locate, and we found the cost was almost exactly the same within the fraction of a cent.
Q. You think the injury, if any, by a train of four cars, to the way, is equal to that of a train of nine cars?
A. I do sir. Including the service those cars do. The local train stops 41 times between Kansas City and Marceline, while the through train stops an average of 7.6 times.

The COURT:

Q. Where in Marceline, the Des Moines river?

A. Yes sir. The retardation as the affect of those 41 stops, is a good deal more than the wear and tear of the 7.6 times.

Mr. LADD:

Q. How about the speed of the train?

A. The speed between stations is faster on the local than on the through train.

Q. So on the whole you think it is fair and entirely just to the local trains, composed of 4 cars, lighter in average than the 9 cars on the through train, to charge it just as much as you do the heavier train for maintenance of way and structures?

A. I don't think anything about it. I have found out by
8631 actual test of the thing. It is not a question of opinion, but of figures.

Q. Show me your figures, if you say this actual test for maintenance of way costs, exactly the same for nine cars as for four cars in a train?

A. I have shown you the figures that show it comes out that way.

Q. You say you know by the actual figures. I would like to see your figures, or anybody's figures, that would accurately and actually divide up the maintenance of way expense?

A. I will qualify my statement so far as maintenance of way is concerned, by saying that was prorated on the basis of other expenses, between the trains, but outside maintenance of way, which is a very small item, the transportation expenses, and the expense for repairs, are actual figures.

Q. What are the traffic expenses?

A. What do they amount to?

Q. In general, what makes them up? What is their character?

A. Superintendence of traffic, outside agencies, advertising, traffic associations, industrial immigration bureaus, stationery and printing, injuries, and other expenses that are appurtenant to traffic. And they are a very, very small portion of the total. They come in the same line as general expenses.

Q. Do you think then it is fair to a local train, composed
8632 of four cars, to charge it just as much as you do the through train, composed of nine cars—the same proportion of traffic expenses?

A. If I did not, I would not have done it?

Q. Aren't the traffic expenses incurred mainly on account of through traffic—your agencies, and so on?

A. No sir, I think they are about in proportion. I do not think the traffic expenses in proportion to the amount of through and local business, would vary very materially.

Q. I refer particularly now, to advertising, and your outside agencies are included in that, aren't they?

A. Yes.

Q. In New York, or whatever you happen to have them?

A. Yes.

Q. Do you think those expenses should be charged up in the same proportion to a local train of four cars that they are to a through train of nine cars, going from Chicago to California?

A. Take the local traffic, I think that is so. But there are some traffic expenses in Missouri, which go to help out the traffic expenses on the other.

Q. Have you a statement of the traffic expenses, divided? Have you one of your annual reports here?

A. Yes sir.

The witness here produces annual report.

8633 Q. Where is the division of those traffic expenses?

For 1908 your total traffic expenses, according to this report, were $1,796,691.32, of which your outside agencies are charged with $508,310.64, and your advertising with $346,289.50; and your traffic Associations—I will leave that out—but those two items I have read amount to about $1,150,000, which I should say in round numbers was about ⅔ of your entire traffic expense for those two items, outside agencies, and advertising.

Now do you think it is fair to charge to that little local train the same proportion of that expense that you would charge to the heavy through train?

A. We do not charge the same proportion. There is not as much business on that little local train as on the through train, and we charge it on the proportion of business.

Q. Don't you do it when you charge it on a train mile basis?

A. No sir.

Q. You do not?

A. No sir.

Q. This local train is running the same number of miles from the Iowa line to Kansas City that the through train is, isn't it?

A. Yes.

Q. And you charge them both on the train mile basis?

8634 A. We charge them both on the train mile basis.

Q. I asked you if you had not charged that local train with four cars, which runs from the Iowa line to Kansas City, if you charge on the train mile basis, precisely the same amount you charged to the through train, and is not that the basis of your calculation?

A. I charge the total train the amount, but in the division of business, that is all divided in proportion to the business. The amount that is charged is divided according to the business on the respective trains in the summary below.

Q. Don't you charge the same amount per train mile to this local train that you do to the through train?

A. To ascertain the initial cost, you mean?

Q. This is $1.04?

A. Yes sir.

Q. Per train mile?

A. Yes sir.

Q. And you charge the local train with $—— and the through train with $——.

A. Yes sir, and when divided below it is apportioned out in proportion to the business. That is only half the story, as far as that goes?

Q. It is divided among the passengers. But I am not talking about passengers, but the expenses of the train?

A. That is the way we arrive at the train cost.

8635 Q. And in order to get at the expense of each individual passenger in any train, you just get the expense of the train, and then divide it by the number of passengers?

A. Yes.

Q. But the expense of the local train, according to your figures, whether it has five or fifty passengers is precisely the same, isn't it?

A. Yes sir.

Q. Because it goes according to the train mile?

A. Yes.

Q. And the expense of the local train for four cars is the same as the expense of the through train, per train mile?

A. Exactly, and as I stated in the beginning, we made a test, and found that so far as all locatable figures were concerned, it figured out that they were the same in cost; very much to our surprise, as I supposed the local trains would figure out a good deal more.

Q. What do you call locatable figures?

A. You mean maintenance of way?

Q. Yes, I mean that?

A. No sir.

Q. You charge this train the same amount for maintenance of way?

A. Exactly.

Q. All the way through?

8636 A. Yes, and as I explained, I think it ought to be charged more, because I think it wears the track more than the through train.

Q. I find in the transportation expenses, several items, some of them of considerable importance, such as yard masters and their clerks $279,000: Yard conductors and foremen $1,202,000; yard signal and switch charges $142,000; yard expense, supplies $109,000; yard engine men $919,000.

Where are those expenses incurred, at the terminals?

A. Some of them wherever that force is employed.

Q. I am asking you where the force is employed?

A. I can't tell you where all the switch engines on the road are used.

Q. I did not ask you at what particular terminals, but they are employed at the yards?

A. Not necessarily at terminals, but at such places as Marceline, and perhaps Carrollton. Various points have switch engines. Wherever those expenses are incurred it would be included. Those are the yard forces handling the car wherever they are.

Q. What points have you in this state where you have yards?

A. Kansas City in this state has considerable of a yard.

Q. Where else?

A. I don't know. I am free to confess that I don't know where all the switch engines are loaded and operated, but I can
8637 tell you how that is apportioned, if you would like to know.

Mr. LATHROP: State it?

A. On the proportion of cars handled on the freight and passenger business.

Mr. LADD:

Q. Did you apportion it in the statement on the basis of cars handled?

A. Yes sir.

Q. I thought you had already stated this was apportioned on the basis of train mileage?

A. Oh, no, I didn't state that.

Q. These figures you have given here in this statement, these trains are charged up on the basis of train mileage, are they not, and not on the basis of cars handled?

A. In arriving at the rate to charge, $1.04, the basis to make up the $1.04 embraced such items as yards, and all those things. That $1.04 is arrived at by a division of all the expenses.

The COURT:

Q. Is a train of 16 cars the same as four trains of 4 cars each?

A. In yard expenses?

Q. No, in what Mr. Ladd is asking you about?

A. Oh, yes.

Q. Is train mileage or car mileage a unit.

A. Train mileage is the unit. We found by investigation that of all locatable expenses, a large part of all the expenses were
8638 identical on the local and on the through trains.

Q. Notwithstanding that the through train uses much more coal?

A. Yes, for the reason that the local burns more coal, and the repairs to the cars are probably more, because of the frequent stopping and starting. Some things are more, and some less, and it comes out about the same, within a fraction of a cent.

Mr. LADD: Do I understand you to say that these yard expenses, yard masters, conductors, switch men, the engine men, etc., have been divided, in this statement, according to the number of cars instead of according to the number of train miles?

A. The $1.04 used in that statement embraces those items, divided on the basis of cars handled, passenger and freight; that makes up the $1.04.

There are two factors in getting the cost; one is the train miles, and the other is the rate per train mile. The per train mile takes account of the cars handled in proportion to the number of cars handled.

Q. Have you the figures to show that?

I can tell you what it is, if you would like to know, for the Mis-

souri Division. (After examining papers.) The yard service on the Missouri Division for the year ending June 30, 1907, cost $66,689.49; that is apportioned among all the expenses on the Missouri
8639 Division in proportion to cars handled, the freight cars handled by the engines in the yard, and the men in the yard. And that enters into the $1.04.

Q. Is that a private document you are using?

A. Yes sir, it is not an exhibit, but I have no objection to your seeing it. Those figures I quote there related particularly to freight. The passenger figures are over further on the same sheet, and the passenger figures added to the freight figures make up the total.

Q. How do you divide your expenses in Missouri between freight and passenger?

A. Do you want me to go through the whole process?

Q. Just tell me generally?

A. It cannot be told generally; almost every item is divided on a different basis.

Q. Can't you give kind of a general answer. Some of the items you can locate particularly?

A. Yes sir, we can locate about 65% of them particularly.

Q. 65%.

A. Yes sir. That is the total expense that can be located.

Q. 65%.

A. Yes sir. That is in a rough way.

Q. Not 80%?

A. No sir.

Q. I understood Mr. Kendrick to say this morning that it
8640 was 80%? You say 65?

A. Mr. Kendrick perhaps did not mean——

Q. It is not material, you know?

A. The maintenance of way expenses, except so far as we can locate such things as buildings, if you please, if there is a building that is used entirely for passenger business, we would assign the maintenance of that building to passenger; if it were used entirely for freight business, to freight. So on through all the various items of maintenance of way, which number up, you have the sub-divisions in the annual report there—but there are a good many of them. The balance of them are divided on the basis of train mileage; the common expenses are so divided.

Q. A large part of the maintenance of way and structures is a common expense, isn't it?

A. Yes. A good deal of it is due to what we call "weather stress." If you did not run a train over the track at all, still you would need a large amount of maintenance to keep it in order. That is called weather stress.

Q. That is a common expense?

A. No.

Q. You can't tell how much is due to passengers and how much to freight, can you?

A. No sir.

Q. How is that divided?

A. On the basis of train mileage.

8641 Q. What per cent——

A. I want to say right here that in the system of cost accounting, which has been adopted by the Santa Fe, like any other system of cost accounting, there are quite a number of arbitrary divisions, but they apply so generally on the give and take principle, and apply to so much smaller amounts, that if you should change them to some other basis, it would not affect the result. Some people think the earnings basis is the best, and I will say that I think so. I think the earnings basis would be a better way to divide maintenance of way expenses. But for a number of years we have kept our maintenance of way expense on the train mile basis, and it gives us a comparison from year to year, and so we do not change it for that reason.

Q. As between passenger and freight?

A. Yes. Let me say, so you will understand it, we do not do that in bulk. We do that by roads, by divisions of the roads, and by main line and branches separately in the divisions. We keep each division and each main line, and each branch line separately by itself.

Q. That is the way you have done it in Missouri on the main line?

A. Yes. And I also want to say that it is done in the initial charge, and not in the aggregate. Every voucher is divided at the time it is made up, both between freight and passenger, and between every division of the road. So we start down at the

8642 bottom on this division. We do not cait until we get an aggregate, and then divide it on any basis.

Q. What percentage of your expenses in Missouri for maintenance of way, is located to passenger, and what percentage to freight? That is, the percentage of these items which are common to both?

A. Alloted to mileage?

Q. What percentage?

A. I don't know. We just take the train mileage and show it.

Q. What percentage is to be apportioned on a proportional basis, and what percentage of it is apportioned to passenger, and what to freight in Missouri on your main line?

A. Of what expense?

Q. Of that part of the maintenance of way and structures, which you say you cannot locate?

A. The respective passenger train mileage and freight train mileage?

Q. What percentage?

A. I don't know.

Q. How much of the expense of maintenance of way and structures can you locate as belonging distinctly to passenger, and distinctly to freight?

A. Comparatively little.

Q. What percentage would you say, can you estimate it?

A. It would be negligible, so far as that is concerned.

8643 As I said, it is only things used exclusively for freight or exclusively for passengers, such as buildings or things of that sort.

Q. Practically all of it, then, is allocated to passenger and freight on the basis of train mileage: is that right?

A. It means if there were twenty-two injuries to persons, if the injuries were caused by the passenger train it would be charged with that expense, or if it were caused by the freight train the freight train would be charged with that expense.

Q. As I understand you, practically all the expenses of maintenance of way and structures is divided by you in that way?

A. Almost all of it, yes.

Q. And it is divided, is it, upon the basis of train mileage?

A. Respectively passenger and freight train mileage.

Q. How is it about the yard expenses, as between the through and the local trains?

A. That is divided on the basis of cars handled in the yard, that is handled by the engines in the yard, engines and crews.

Q. Between the through and the local trains?

A. It doesn't make any difference. It is on the basis of the cars handled by the engine. If an engine handles ten passenger cars and ninety freight cars, it would be one-tenth to passenger
8644 and nine-tenths to freight. That does not have any relation to trains.

Q. You divide your yard expenses in Missouri between freight and passenger, upon the basis of the number of cars handled?

A. Please say what you mean by yard expenses, and I will try to answer it.

Q. I mean what your classification gives, yard master and clerks, yard switch tenders, yard engines, yard supplies and expenses, and so on?

A. Yes sir, that will apply to those items.

Q. You divide that between freight and passenger in proportion to the number of cars in each handled?

A. By the switch engines doing the work, yes.

Q. Under that term a certain proportion then of your yard expenses has been allocated to the passenger traffic: is that right?

A. That is right.

Q. As a burden upon the passenger traffic?

A. If there is any of that sort of burden in it, it has.

Q. In arriving at the cost of your through trains and local trains did you take that basis in the first place as one of the elements to arrive at the cost of the handling of the trains.

A. It constitutes a part of that $1.04.

Q. After you have got that, then you divide that part of it, which has been allocated in the way you say, upon the basis
8645 of the number of cars handled, to the passenger traffic, and you divide that part between the local and the through passenger trains, upon the basis of train mileage: is that right?

A. In arriving at the amount of cost per train mile, we take the total of the rating expenses, and assign them—or they are divided in the natural way of dividing between freight and passenger, and then that amount, whatever it may be, is divided by the number of train miles to make the rate per train mile.

Q. I think I understand you. This is all new to me, you know. You are very clear, and I could understand it from you, if I could from anybody.

You take all your expenses in Missouri, for a certain period, both freight and passenger, you assign to freight such portion of that expense as is distinctively connected with freight traffic. You assign such other portion as you can identify with the passenger traffic to the passenger expense. Then there is quite a body of expense, which you cannot locate definitely, but you divide that on what you consider a fair proportion between freight and passenger, and this apportioned part, and this definite portion, you add together, and in that way you get the freight expense separate from the passenger: is that right?

A. Yes. We do not aggregate the sum to do it, but we start with the initial voucher.

Q. In that way you get what you think is the entire ex-
8646 pense connected with the freight traffic?

A. Yes.

Q. Expenses of all kinds in this list, maintenance of way and structures, maintenance of equipment, and transportation?

A. Yes.

Q. And you find so many dollars are fairly chargeable to freight traffic in Missouri, and so many dollars to passenger traffic?

A. That is right.

Q. We have the passenger traffic and we will say $500.00 is the amount allotted to it. We will say that is fairly done. Now that $500.00 as between through and local, you divide on the basis of the train mileage, irrespective of the length of the trains: is that right?

A. That is right. It occurs to me it may help you to understand that matter if I say one or two things that we do in this division. It would not occur to you, and then you will understand it.

Q. Very well?

A. There are some expenses, for instance the station force of a little country station, where there are two, three or four men, who work more or less indiscriminately, on both freight and passenger work. It may seem a little strange how we can divide that between freight and passenger. Now the Superintendent of the Division, who knows every man on his division, is charged with the duty of visiting those stations, and finding out how much of the serv-
8647 ice of each man employed at that station is devoted to freight, and how much to passenger; and the expenses of that station are not divided so much to freight and so much to passenger, but the expense of each person at the station is divided in the proportion that the superintendent determines is properly chargeable by reason of the duties performed by that particular man, to freight or passenger. If the expense is for billing then it is all charged to freight. If the expense is for attending to baggage, then it is all charged to passenger. If the man sells tickets part of the time, and does some freight work part of the time, then it is divided in proportion to the amount of time he has used respectively

on the two things. In that way, we have arrived at a division which we think is sufficiently accurate to be the basis of any computation. The superintendent of the division revises these statements from time to time. That is done all over the line. This is an instance of how particular we are in getting down to the details on that division.

The COURT: It sometimes happens that one man at a little bit of a station, is the telegraph operator, sells tickets, attends to the incoming and outgoing freight, attends to the baggage, and so on; and some of his telegraphing is for the railroad company, and some of it is for the Western Union Telegraph Company?

A. That is all divided, the telegraphing between the
8648 freight and passenger in the proportion the superintendent determines is the amount of time he uses on each one.

Mr. LADD: I am not for the present criticising the method adopted. It must be arbitrary in some cases, I can see.

Q. What has been the experience of your road according to your accounts, what percentage of your entire expense do you allot to freight, and what to passengers?

A. In the percentage located.

Q. What does it result in?

A. I can give you the increase for each year.

Q. You haven't that in mind?

A. No sir, but it will not take more than a minute or two to find it. It varies every year.

Q. If you will turn to your exhibit 42, that pertains to freight?

A. Yes sir.

Q. These are freight trains, both through and local?

A. Yes sir.

Q. This statement deals with freight trains, all through freight trains, and all local freight trains on your line, from November 30 to December 6, 1908, inclusive. Am I right about that?

A. Yes.

Q. It includes all of them?

8649 A. Yes, it includes all of them.

Q. I want to trouble you to tell me what those trains were. Take the first, what you call your through freight train runs certainly from Iowa line to Kansas City, doesn't it?

A. I don't know that I can answer it. Mr. Kendrick could answer that question.

Mr. KENDRICK: Those are all through trains.

Q. Would you have the same number of through and local freight trains on the same day?

A. Oh, no, not by a large majority. We would have the same local trains, but not the same through trains.

Q. How many through trains does that deal with?

A. I don't know how many of the extras went the whole distance. There was 66 through trains that I know were through from the numbers of the trains.

Q. You mean 66 each way?

A. No sir, 66 both ways. Those I know are through trains. Then there are 57 others, which were called extras. We run them

for the business that offers. Whether they went clear through I don't know.

Q. Your statement seems to deal with through train miles and local train miles?

A. I presume they went through?

Q. Let us assume that: how many in all?

A. 123.

8650 Q. And how many local trains?

A. 23.

Q. Did those locals run from the Iowa line to Kansas City, all the way through?

A. No. 59 and No. 60 run from Kansas City to Marceline, and No. 59 and No. 80 run from Marceline to Ft. Madison.

Q. Is it about right to say one-half ran through?

A. Exactly half. It is a daily train between those points, each day.

Q. So on the way from Kansas City to Ft. Madison, you call that two trains?

A. Yes sir. It takes as long for the local train, and usually a good deal longer for the local train, to go from Kansas City to Marceline, than it does for the through train to go to Ft. Madison.

Q. How many cars were in those through trains?

A. I have not the car record of the through trains. I have the ton mile record.

Q. I would like to have the car record if I could?

A. I haven't it.

Q. You cannot give it to me in the aggregate?

A. No sir.

Q. Can you tell how many cars were in the local trains?

A. No sir, I haven't the car record of either one of the trains. I have simply the tonnage record. What I was after was the

8651 the business on the train, and I did not think of getting the car record.

Q. Your tonnage record shows on this statement, doesn't it?

A. I can give you the average tons per train per mile, and that will give you some indication of the number of cars, by the number of tons on the train.

Q. Your tonnage shows on this statement?

A. Yes sir.

Q. Both through and local?

A. Yes sir. But the average number of tons per train is not on there.

Q. What would be the average number of tons per train?

A. For the through trains it would be very close to 500 tons, and for the local trains it would be about 70 tons.

Q. Can you make any estimate from that about how many cars there would be on those respective trains?

A. No sir. Some cars carry 20,000 and some 80,000.

Q. You cannot tell anything about that?

A. No sir.

Q. Is there any record that will show that?

A. Of these particular trains?

Q. Yes.

A. Yes, I could get up a record of it. It would be a very tiresome job. The only way would be to go to the
8652 wheel report of these trains, and make an analysis of each train. I have the data in my office, but it would be quite a cumbersome job.

Q. Were there probably three times as many cars on the average, in each of the through trains, as in each of the local trains?

A. I wouldn't venture an opinion as to that. It would be a guess, beyond any possibility.

Q. You charge up the expense of these different trains, both through and local, upon the train mileage basis, just as you did in the matter of the passenger trains?

A. There again we made an investigation, and found the cost of the through train so far as we could determine it, was very close to that of the local. It was a trifle more than one cent on the local. The local cost one cent more than the through.

Q. You charged it up to those trains on the basis of train mile?

A. Yes sir.

Q. Irrespective of the length and the weight of the trains?

A. Yes sir. The reason for that is that these local trains do an immense amount of switching and handling, and they do the freight work at all the stations they pass, and the time involved in
8653 moving the same number of miles is fully if not twice as much. Wages are more for the local than the through men. The coal burned by the engine is more. Taking them all together, as we found them, the expenses were almost the same, within a cent, so I used the same figure for both.

Q. Do you say it would be fair to charge the expense of the local traffic upon a train mileage basis?

A. Yes sir, to determine how much the local traffic costs during a given period.

Q. Could we have, without much trouble or delay, the number of cars in each one of those trains?

A. I could furnish it to you in the course of a week,

It would be a good deal of work. You see here are 123 trains, and to make a full analysis of each wheel report takes time.

Mr. HAGERMAN: Let them do the work.

Mr. LADD: I haven't asked him to do the work. I didn't know but that it could be done to-morrow.

A. No sir, it couldn't be done by to-morrow. In the first place the wheel reports are in Chicago, and then it would take time to separate them, and then compile this report.

Q. Mr. Peabody that is the percentage of the state freight earnings in Missouri on your road, to the total freight earnings.

A. For what period?

Q. The last half of 1907. That is the calendar year?

A. 6.77.

Q. It is less than 7%?

8654 A. Yes sir.

Q. That is a very low percentage, isn't it?

A. Yes.

Q. Your road doesn't do much state business, as compared with these other roads, does it?

A. I don't know anything about that.

The COURT: From the fact that there are no large towns on it, that would be understood. You strike no towns between here and the Iowa line, of any size.

Mr. LATHROP: Carrollton is the largest, and Mr. Ball here tells me that the population is 3500.

Mr. LADD: It is less than 7% of your total freight earnings?

A. Yes.

Q. Do you know that on the Frisco it was about 21%?

A. No sir.

Q. And on the Missouri Pacific about 28%?

A. No sir.

Q. And on the Burlington 16%?

A. No sir.

Q. And on the Rock Island about 18%?

A. No sir.

Q. If that were true it would go to show that your road is doing a very little, or on the other hand a very unprofitable state business?

8655 A. It is doing a certain amount.

Q. Your earnings in the state business, as compared with your inter-state earnings, are exceedingly low?

A. Very small.

Q. It is almost exceptional, isn't it, among the Missouri roads?

A. Yes, and yet when you deal with a large amount, a small percentage means a large amount of money.

Q. I understand that?

A. Let me illustrate that. The merchandise on our line less than car-load, on our entire system is only about 7% of the whole amount: but it runs up into three or four million dollars.

Q. You have a main line 201 miles long in Missouri, and you have a branch 78 miles or so, and still your state freight earnings are less than 7% of your interstate?

A. That is right.

Q. Doesn't that indicate that your road is a particularly poor road for earning anything on state business, that there is not very much state business to do, comparatively?

A. We find that is the case.

Q. In this statement, exhibit 42, covering the period November 30, to December 6, 1908, you deal with and make some deductions I think, on account of handling, don't you?

A. Yes.

8656 Q. I am asking you whether you assume in the preparation of those figures, that every state freight shipment has two handlings, every inter-state shipment one, and that the trans-state freight has no handling?

A. That is right. That is the basis upon which it is made in Missouri. Of course they are handled some where else. The reason for that is that the handling charges that are taken account of, are only the handling charges incurred in Missouri.

Q. Referring to this statement again, I think it appears on one of your statements (I am not certain which, but I have it somewhere) that the state freight carried on all your lines in Missouri, expressed in ton mile, is less than one per cent of your total freight ton miles. Is that correct?

A. I should say not. I don't know. I haven't the figures before me.

Q. I mean on the through trains?

A. State freight on the through trains?

Q. Yes.

A. That is another thing. In this test the state ton miles on the through trains were 60,000 as against the interstate 1,000,000 and as against the trans-state four and one half million.

Q. It is less than one per cent, isn't it?

A. No sir, it is a little more than one per cent.

Q. Isn't that right?

A. Oh, yes, it is a trifle less than one per cent?

8657 Q. Then the amount of state freight carried on the trains mentioned in this exhibit, is less than one per cent of the total freight carried on those trains?

A. That is right. I wish there were not any of it on them.

I would state that we aim to carry no state freight business if we can help it, on those trains. And that amount was live-stock, and it had to be put on those trains, because it had to be moved. It could not wait for the local, and so it had to be put on those trains. But it is a very expensive proposition.

Q. Mr. Peabody, can you give me the passenger train miles in Missouri for 1906, 1907, and 1908—give it to us for your fiscal years?

A. I may be able to give you it for 1907 and 1908, right here, but I cannot give it to you for 1906—no sir, I cannot give you the train miles now, but I will get it for you.

Q. Is it in town?

A. No sir.

Q. Will you send that down to us?

A. Yes sir.

Q. Will that be much trouble?

A. No trouble.

Q. The passenger trains in Missouri, for the fiscal years ending June 30, 1906, 1907, 1908?

A. Passenger train miles?

8658 Q. Yes?

A. For the main line and branches both?

Q. Yes, please.

Questions by Mr. KENNISH:

Q. You said you had telegraphed your superintendent to furnish

you the cost of two engines engaged in local traffic and two in through traffic?

A. That is not exactly correct. I telegraphed the superintendent to send to my office in Chicago, the numbers of two engines engaged in local traffic, and the numbers of two engines engaged in through traffic. I keep in my office all these items of expense.

The COURT: And then he telegraphed his office.

A. Yes, I telegraphed my office to have the details made up.

Mr. KENNISH:

Q. Where did you get the expense of each engine?

A. I had it.

Q. Here with you?

A. I have in Chicago an individual record by months of every engine on the system, and so it is a simple matter to copy off the records those details?

Q. Then you got that information from Chicago?

A. Yes sir, I got it by mail to-day.

8659 Q. One engine you said engaged in the local traffic, cost for repairs 30 cents per 1,000 gross ton miles?

A. That is right.

Q. About what would be the net ton miles on the local trains as compared with the through trains? You need not give the exact figure, if you can give about what it was?

A. I do not attempt to carry those things in mind.

Q. Would 125 to 150 tons be about the average net weight of the tonnage, for a local train?

A. No sir, as I stated here, the average tonnage for the local trains, of which we took a record, was about 70 tons in that tonnage.

Q. What would be about the average gross tonnage, compared with the freight tonnage?

A. The net tons on the local trains are very low as compared——

Q. Take the dead weight as compared with the tonnage?

A. Well, I should imagine relatively the percentage of paying load to total load of the through trains—now mind you this is simply a guess, but I could give you the exact figures——

Q. I don't want that. I want the dead weight per local train compared with the tonnage of freight on local train. Counting the empty cars and the weight of the engine, cars and all?

A. I haven't the faintest idea how many empty cars were on all these trains, and what the loads were.

Q. Take the average train, what would be the proportion 8660 of dead tonnage compared with freight tonnage?

A. I had a memorandum here somewhere, giving some of those gross figures.

Q. You need not look that up. The dead weight would be a good deal more than the tonnage of freight?

A. Oh certainly.

Q. How much, twice as much?

A. I think so, probably more than that. That is what makes it so expensive to run the locals.

Q. Your estimate of the local was about 70 tons. You heard some of the witnesses testify yesterday that the local would average about 125 tons, didn't you?

A. You mean net loading?

Q. Yes, tonnage.

A. I don't know that I heard it. It would vary greatly on the different roads, according to the volume of the local business. I can show you how it varies——

Q. You need not go to the trouble of looking that up.

A. Here is one train of 92 tons; one of 35; one of 75; one 150. That is the way they run.

Q. Suppose the average was 100 tons, and the dead weight was double that, that would be 300 tons gross weight for the train?

A. Yes, that is right.

Q. Then according to your figures the cost of repairing
8661 that engine would be about 30 cents for about every three miles the engine would run, wouldn't it?

A. I don't know. I haven't made the computation.

Q. You can make that computation?

A. That is the amount it cost. I don't know what constitutes it.

Q. You say it would cost 30 cents for every one thousand gross tons per mile?

A. Engine 284 was one of the engines assigned to that local run, and she had expended on her for repairs——

Q. I am not doubting your figures there. I am simply wanting to get an estimate of what it would cost per day on the basis you have stated. If the gross weight of the train was 300 tons, then about every three miles there would be a gross tonnage per mile of about 1,000 tons?

A. You can get that a good deal easier. Here is a two years' record.

Q. You need not get your figures. That is plain enough, isn't it?

A. I have a two years' cost here, and I know what it costs.

Q. I am taking the figures you gave, and I want to find out what it would cost per day?

A. I didn't give you the figures?

Q. Assuming those figures are correct——

8662 A. You may do so, but I don't care to.

Q. You did say the net tonnage would be about double?

A. I didn't say so.

Q. Wouldn't it follow there would be for each mile about 33⅓ per gross tons?

A. I don't care to take the trouble.

Q. Wouldn't that be about right?

A. I don't know.

Q. Wouldn't it cost about 30 cents to repair an engine for every 33⅓ miles it would run—for every train?

A. I can give you what it did cost, not assuming anything.

Q. I am assuming those facts, and you said that was about what it would be?

A. No sir, I did not, as between net and gross tonnage—begging your pardon, I did not.

Q. Assuming it would be, for the purposes of this cross examination. You can do that? Assuming the train would carry about 300 gross tons, then for every 3¼ miles it would cost 30 cents for the repairs of the engine?

A. Assuming the conditions were that way, and your computation correct, yes.

Q. An engine on a local train runs about 100 miles per day, doesn't it?

A. Our engines run about that.

Q. According to those figures it would cost for repairing
8663 that engine, about $10.00 per day?

A. If your computations are correct, and you want that assumption to stand, yes.

Q. That would be, assuming those figures are correct?

A. Yes, and the computation is correct, yes.

Q. Another matter I want to ask you a few questions about, Mr. Peabody:

Your statement was that it would cost as much, and you thought more, on the items of maintenance of way and structure, for a local train with four cars, than for a through train with nine or ten cars?

A. Passenger train?

Q. Yes?

A. I do.

Q. What is the life of a steel rail such as you use on your main line in Missouri at the present time?

A. I don't know.

Q. About what would be the life of it.

—. I have no idea whatever. I don't know whether it is ten years or forty.

Q. Do you know whether a rail will last longer at one part of the track than at another?

A. I imagine it would last longer at a tangent than on a curve.

Q. What would be the difference?

A. I don't know. There are operating men in the room
8664 thoroughly familiar with that.

Q. Suppose the track is reasonably straight, and without much grade at the station, would the rails wear out any sooner?

A. I don't know. I am not an expert maintenance of way man.

Q. I thought you answered Mr. Ladd by saying that the local train would cost more for maintenance of way and structure because of the retarding and starting up of the engine and the wear resulting from that on the rail?

A. I qualify it by saying that in my opinion it would.

Q. If your opinion is correct, the rails would wear out far sooner at a station than anywhere else, because that is the only place the train stops?

A. It begins to stop a good way out.

Q. From the place where it begins to stop, up to the place where it

has regained its normal speed, do you think the wear of the rails would be greater than anywhere else?

A. I should say that would be so.

Q. Because even your through trains stops at a station, where it does stop at all, and you said your through train stopped about seven times on the Missouri Division, and the local trains stop about 41 times?

A. That is about right.

Q. If your estimate is right, that it is the wear on the rails which makes up for the heavier weight of the through trains, which
8665 is caused by the stopping and starting of the local trains, then that would be shown by the wearing out of the rails at the station more than out on the road?

A. On some parts of the road. I am not an expert on maintenance of way, and I do not profess to know anything about it.

Q. You said that the retarding of the train, or starting the train, goes to make up the extra cost of the four car trains as compared with the through nine car train?

A. I said that in my opinion that was one of the elements entering into it.

Q. Now you say you don't know anything about the matter?

A. I don't know anything about it.

Q. On what did you base an opinion, if you did not know anything about it?

A. Probably my opinion isn't good for anything in that line. I do not profess to be a maintenance of way man. But have been around railroads, and I have powers of observation, and that has seemed to be so to me.

Q. You did base your opinion on that, then?

—. ——.

Q. The effect of stopping and starting the local trains on the Missouri Division?

A. So far as that particular item is concerned.

Q. But you think your opinion doesn't amount to much?

A. No sir, I wouldn't give it much credence, myself.

8666 Redirect examination.

By Mr. LATHROP:

Q. In response to Mr. Ladd's question as to one reason why the train mile basis was a proper one from which to get your prime factor, regardless of the number of cars that were in each train, tests were made by the operating department, weren't they, from which you get these locatable figures?

A. Yes sir.

Q. And from that test which was actual, made up of a great many different elements, you ascertained, as you said, that the cost was approximately the same on the through trains as on the local trains?

A. That is true.

Q. Then after you got that factor, when you came to sub-divide

that factor, so as to get your net result, that sub-division was made upon the basis of which each class of business produced, wasn't it?

A. That is right.

Q. Mr. Ladd called attention to the fact that the local business of the Atchison, Topeka & Santa Fe was somewhere in the neighborhood of 6% and a fraction. That low percentage comes about as a result of the fact of the Santa Fe Road being a trans-continental line, and does so much greater volume of inter-state and trans-
8667 state business than it does of state business: but notwithstanding that, so far as percentage is concerned, our local business is a substantial part of our total business, isn't it? Just as you said in relation to the less than car-load business?

A. Yes sir, the gross or total tonnage moving over the line is enormous. It comes over the Missouri line, gathered up from Texas, New Mexico, Colorado, Utah, California, all the entire west, thousands of cars; and of course the proportion of business that is picked up or laid down in Missouri, is necessarily smaller as a matter of proportion.

Q. But it is substantial in quantity?

A. Yes, it amounts to very considerable.

Q. And would compare favorably with what is done by other roads, comparing the mileage of other roads with ours over the entire country?

A. So far as I am advised, that is true.

Q. Whatever that percentage may be, does that at all affect the question as to what it costs our company to do the local business by any actual test as compared with the through business, different from what it would cost any other road—regardless of any percentage?

A. Not a particle.

Q. You have your actual test, of what you actually did, by men working the trains, in the passenger business, and men going through and analyzing every pound of freight in the local and through
8668 business, and that same thing would apply if your local business were 60% instead of 6?

A. Exactly.

Q. And if an analysis were made on the other roads, where the same amount of work was done, the test would be the same. It furnishes an accurate measure, instead of an opinion measure, as to what is the cost of doing the local business, state or inter-state, for a given period of time?

A. That was the object of getting up this illustration, so as to give an actual figure. And I had no idea what the result would be when I started.

Q. So the fact that the percentage on the Santa Fe is less on local business, does not militate against, or affect at all, the cost of doing one as against the other, or the profit and loss from doing one as compared with the other?

A. Not a bit.

Recross-examination.

By Mr. LADD:

Q. Do you know what are your average earnings per mile per year, for the state freight business in Missouri, approximately?

A. $1,200.00 in round numbers.

Q. How much was it for the last half of 1907, per mile? I think those are the figures your statement was based on?

A. I was taking it for the year. Do you want it for six months?

8669 Q. I asked you for six months?

A. This is for the year ending June 30, 1908.

Q. Very well, that will do.

Do you happen to know what the earnings were per mile for freight traffic of the Missouri Pacific, the Burlington or the Frisco Railroads, for a similar period?

A. I haven't the faintest idea.

8670 A. L. CONRAD, a witness of lawful age being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. What position do you hold, Mr. Conrad?

A. I am Auditor of Disbursements on the Atchison, Topeka, & Santa Fe Railroad.

Q. What railroad experiences have you had?

A. 26 years.

Q. Practically all your life?

A. Yes sir.

Q. How long have you held your present position?

A. Three years.

Q. And your railroad service began with what?

A. Helper and roustabout at stations.

Q. And what lines of business have you covered in reaching your present position?

A. I have been telegraph operator, station agent, general office clerk, traveling auditor, terminal agent, auditor of a railroad, traffic manager of a small railroad, and auditor of disbursements on the Atchison, Topeka & Santa Fe.

Q. Mr. Conrad, there has been more or less reference during the examination of Mr. Kendrick and Mr. Peabody, to the figures shown in our statement, copy of which has been furnished to the

8671 other side. Now what we did in the Santa Fe was, we furnished them with a complete statement, and then the experts employed by the state came up and went over it with you, to verify it, with the books: isn't that right?

A. Yes sir.

Q. And so you finally revised it, so as to say that the basis of the figures was correct?

A. Yes sir.

Q. Leaving nobody committed to any theory at all?

A. That is right.

Q. After you had finally revised it?

A. Yes.

Mr. HAGERMAN: I will now offer in evidence the statement referred to.

The paper is marked Complainant's Exhibit 45.

Complainant's Exhibit 45 is in the words and figures following, to wit:

8672 Q. Have you actively assisted Mr. Peabody in getting up this information to which he has testified, and generally in the preparation of these different exhibits?

A. Yes sir, I supervised the preparation of the detail.

Q. And you are the man who actually caused to be made these tests about which he testified?

A. Yes sir.

Q. You are familiar with these different exhibits which were put in evidence during the examination of Mr. Peabody?

A. Yes sir.

Q. Without going into details and having you go over each detail, I will ask you whether those exhibits are correct, and made upon a proper basis, and whether you agree with Mr. Peabody's statements with reference thereto?

A. They are correct to the best of my knowledge and belief, and I think made on a proper basis, and I endorse them fully.

Q. Were the tests accurately made to represent the true situation?

A. Yes sir.

Q. Could you give us some idea, and have you prepared a statement along that line, to show what goes into the terminal expenses of the passenger business?

A. Yes sir, I have prepared a statement of that kind?

Q. You have prepared a statement with the idea of getting
8673 the percentage of use as between state and inter-state passenger traffic, and to ascertain the excess of cost in the use of the terminals alone?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence the statements referred to by the witness.

The paper referred to is marked Complainant's Exhibit 46, consisting of two pages.

Complainant's Exhibit 46 is in the words and figures following, to wit:

8674 Q. You have listed there the items that go to make up the expense of the terminals, itemizing it under the head of maintenance, operation and general expenses?

A. Yes.

Q. I am not going through the details to have you repeat the figures.

Then you take the number of passengers, as shown by this six months' statement you put in?

A. Yes.

Q. And you set out the number of state passengers, and of inter-state passengers, and their use of terminals?

A. Yes sir, and the number of times each class uses them.

Q. How do you figure the number of times used?

A. I eliminate the trans-state passengers altogether. I set down the inter-state passengers as using the terminals once for each passenger.

Q. And the state passengers, how many times?

A. Twice for each passenger.

Q. On that basis what is the result? You have already apportioned your passenger expense as between state and interstate, on the revenue basis, or what per cent?

A. The expense of terminals on the revenue basis is apportiond to the state on the basis of 15.22% and to the inter-state business on the basis of 51.81%.

8675 Q. Taking the terminal use basis by allowing two uses, what is the result as to the state passenger?

A. The result is that we apportion to the state business upon the revenue basis, $8,299.02 of terminal expense and to the inter-state business $28,250.29.

Now on the use basis, the inter-state business should receive a charge of $4,386.91, and the state business a charge of $32,163.39, or $23,864.37 more expense than was formerly apportioned on that basis.

Q. Upon that item alone what per cent. of increased cost, as to the use of those terminals, do you figure on account of state business?

A. It increases the cost 27% on that account alone.

Q. Have you any idea about what the terminal cost per mile per passenger is in Missouri on a well regulated road?

A. On these figures here the cost per passenger per mile would be .384 cents, or approximately 4 mills per passenger per mile, which would equal about 11 cents per passenger.

Q. Do you think that is a *fare* estimate for a road properly constructed and properly used in Missouri?

A. I think so.

Cross-examination.

By Mr. LADD:

Q. You say Mr. Conrad, you do not allow any terminal expense to a trans-state passenger?

8676 A. No sir.

Q. Suppose your Company sells a ticket from Chicago to Ft. Scott—I suppose you do that don't you?

A. I expect so.

Q. On your line from Chicago to Kansas City, and over the Frisco Line from Kansas City to Ft. Scott, you do that undoubtedly?
A. Yes, I expect so.
Q. He can ride on your train only as far as Kansas City?
A. Yes.
Q. He is a trans-state passenger, isn't he?
A. No sir, he would be an inter-state passenger.
Q. He goes through Missouri into Kansas?
A. He would be an inter-state passenger so far as our statistics are concerned. He is a passenger from Chicago to Kansas City with us.

Mr. HAGERMAN:

Q. In your accounting you would treat him as an inter-state passenger?
A. Yes.

Mr. LADD:

Q. We have not been considering it so here.
Mr. HAGERMAN: The Santa Fe is situated a little differently.

Mr. LADD:

Q. You would not call him a trans-state passenger?
A. No sir. What we call trans-state passengers are those
8677 who pass through Missouri on our own road.

The COURT:

Q. To Topeka, for instance?
A. Yes sir.

Mr. LADD:

Q. Suppose then you sell a passenger a ticket from Chicago to Topeka on one of your trains, and there is one, I don't remember which one it is, or just how long a passenger has to stop off here, but there was one I think that stopped here something like 2¾ hours. The passenger has to stop here that long on his way to Topeka. Would you call him a trans-state passenger?
A. Yes sir.
Q. Would you allow anything for terminal expense on account of that passenger?
A. No sir.
Q. Nothing for a passenger who was here in Kansas City 2¾ hours?
A. We do not allow any terminal expense in that case because he could stay on board the car.
Q. What do you do with the car in the meantime?
Q. Some of them remain at the depot and others out in the yards.
Q. It has to be taken out into the yard, and then again back into the depot, isn't that correct?
A. Yes sir.
Q. If that passenger stays on the car during that time, out in

the yard or in the depot either, you do not allow anything on
8678 account of terminal expense for him?

A. No sir, we do not take that into account at all.

Q. Does that car derive any benefit from those terminals while it is standing there, or is being shunted about?

A. No sir, I wouldn't consider it so.

Q. Suppose the passenger chooses to get off the cars during that 2¾ hours, and go into the station, and perhaps get a lunch or his breakfast, is that nothing?

A. That is nothing we are responsible for. We don't compel him to do it.

Q. He has the privilege to do it, and the terminal is there for him to do it if he chooses to avail himself of it, and most of them would avail themselves of that privilege, rather than stay in that car 2¾ hours, wouldn't they?

A. I cannot say that most of them would. Some of them do.

Q. You and I would, wouldn't we?

A. I don't know. I have passed through there, and staid in the cars and didn't use the terminal.

Q. Did you stay in the car 2¾ hours?

A. Yes sir.

Q. Because you had some work to do in the cars?

A. No sir, because I had nothing to do outside. Several times I have gone into the depot and bought a cigar or got a shave or something of that kind.

Q. Now Mr. Conrad, most passengers, certainly most gen-
8679 tlemen would run into the station to stay those two and three quarters hours?

A. I have known a number to get out and get a drink.

Q. That is one reason, and a good reason, particularly considering the quality of the liquor furnished on the Santa Fe Railroad.

Mr. LATHROP: They wouldn't have any necessity of getting off on account of the quality. You wouldn't find any better in Kansas City.

Mr. LADD: Mr. Conrad, suppose the man does stay in the train, in that car, in that terminal, 2¾ hours, that car with or without the man has the use of that terminal for those 2¾ hours?

A. That car uses the terminal during that time.

Q. And the man has his proportion of that use, because he is using a part of the car?

A. Yes, he has his proportion of it, but that is negligible.

Q. Suppose the man gets on your train at Marceline, that is in this state, isn't it?

A. I don't know.

Mr. LATHROP: It is.

Mr. LADD: He has a ticket to Kansas City over your road. He is a purely local passenger, and is not going any further. You may say he lives here at Kansas City. He gets on your train carrying his grip: that is all the baggage he has. When the train gets
8680 into the depot he walks on the platform, down the steps, and over that platform right to his home: do you think that man

gets any more use of that terminal than the man who stays in that terminal 2¾ hours in one of your cars?

A. Yes sir, that man uses the depot, and the man that stays in the car uses only the track.

Q. Suppose he doesn't go into the depot at all. Suppose he just walks across the platform, as he may do here, walks through the depot and out on the street. He doesn't stop, and he has not had the service of anybody connected with that depot company. He is of full age, knows how to walk, and is capable of walking through there without assistance from anybody. Do you think that man has any more use for that terminal than the man who stays in the car 2¾ hours?

A. I think the man uses the terminal more than the man who stays in the car.

Q. That is your opinion?

A. I will tell you why. In these terminal expenses I have not included any track expense. That car uses the track. There should be an element of that kind included also.

Mr. LATHROP: In the handling of these trans-state cars you have not included any such element?

A. No sir.

Q. Nor any of your terminal expenses. You do not include the handling of cars in the yard as a part of your expense for
8681 the trans-state train?

A. I included the switching, but not the maintenance of the track.

Mr. LADD:

Q. You included the switching: Doesn't that car when it comes here from Chicago have to be switched into that terminal and then out of that terminal?

A. Yes sir.

Q. We will say it is a Pullman?

A. The train crew takes it right in. The road crews handle the trains in and out of the terminal there.

Q. Isn't that a terminal expense?

A. No sir, that comes in with the train expense.

The COURT: It belongs to it until the train stops?

A. Yes.

Q. And how does it go out?

A. It goes out under train expense.

Q. Who takes it down the yard and switches it back?

A. The train crew does it.

Mr. LADD: Does the train crew make up the trains on the Santa Fe in the terminal here?

A. No sir.

Q. Do the men running the locomotives make up the train?

A. No sir. But these trains are not being made up. They
8682 are through, trans-continental trains, and the switching that is done is to put on a car or take off a car. That is all the switching that is done here. The train remains intact. It is a through train.

Mr. HAGERMAN: You mean the trans-state part of it remains intact?

A. Yes sir.

Mr. LADD: You mean the car this man is in, does not experience any particular change in its situation, while in the terminal. It has some cars. It has to be handled in that terminal, hasn't it?

A. It may be.

Q. Perhaps it is taken off the train and then put back in another place?

A. If it happened to be on a train that handles considerable local traffic, and makes a considerable number of stops, that means that we would probably run that car to accommodate that business, and then when we got to Kansas City that business would drop off, that is, we would drop off that car, and then go on with the rest?

Q. Aren't there other things, such as the wheels and the running gear in that car which have to be examined here in Kansas City to see if they are in good order? And isn't that car watered and iced here at Kansas City before it goes out over the plains?

A. Yes.

8683 Q. That is a terminal expense which that passenger should share, isn't it?

A. That isn't a terminal expense, that is a train expense.

Q. You don't call that a terminal expense?

A. No sir, icing the car is called a train expense?

Q. What is a terminal expense?

A. The agents and his assistants, the maintenance of the depot, the maintenance of the yards and tracks, and the switching.

The COURT: And rent. Do you put that in, where you pay rent?

A. Yes, rent.

Q. Generally some corporation owns the terminal, and that is probably true here. Is that a terminal expense?

A. The rental part would go into our accounts as rental, and the expenses——

Q. Why don't you put the rent, which you pay to some terminal corporation, in as a terminal expense?

A. Because the inter-state commerce commission does not allow us to do so.

Q. That is one reason: what is the other reason?

A. That is the only reason.

Mr. HAGERMAN:

Q. Cash rental, representing interest on investment in cars, and maintenance, are kept up on a wheelage basis.

8684 Mr. LADD:

Q. Did you say that maintenance of tracks in the terminals is a part of the terminal expense?

A. Yes, I would consider it so.

Q. This car we spoke of has the use of that track while it stays here?

A. Yes sir.

Redirect examination.

By Mr. HAGERMAN:

Q. The trans-state car, whether it stops five minutes, 25 or 50 minutes at Kansas City, would have no different kind of service so far as that trans-state train was concerned, than it would if it stopped at Moberly, or Madison, or any other place on the line?

A. The only difference is that it stays there longer. That is all.

Q. The way you treat the terminal expense in your accounts as Auditor, is that you take the service that is actually due and actually performed, for the person using the terminal and who is entitled to its use, as such?

A. Yes.

Q. The fact that a passenger might get off the car and go into the station—the public having no connection with the trains, could come in and frequently do come in, and make the same kind of a use of those terminals?

A. Yes.

Q. That kind of use is nothing that you can put upon your
8685 books in determining expenses?

A. We do not consider that at all.

Q. The baggage of a trans-state passenger does not go into the baggage room?

A. No sir, that stays in the baggage car and runs through.

Q. The question of ticket service or anything of that kind is not required?

A. No sir.

Q. But if it is a state passenger coming to Kansas City, or an interstate passenger, who is going to stop off at Kansas City, there can be that kind of a service required, and rendered, and it would be a terminal expense, so far as he was concerned?

A. Yes sir.

Recross-examination.

By Mr. LADD:

Q. That man has just as much right to get off that car and go into that station as I have, when I come in on a local train?

A. Not because he pays his fare, but because it is a free country, and that is a public place.

Q. He is just as much entitled to go into it as I am, coming in on a local train, isn't he?

8686 Mr. LATHROP: That is a question of law. He might be considered a tresspasser.

8687 FRANK NAY a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. What is your position Mr. Nay?

A. General Auditor of the Chicago, Rock Island & Pacific.

Q. What railroad experience have you had, Mr. Nay?

A. For nearly 26 years I have been connected with railroads. Beginning with the Missouri Pacific in April, 1883, as clerk in the General Auditor's office for one year, and then 15 years with the St. Louis Southwestern, or Cotton Belt, as clerk in the Auditor's office, Traveling Auditor and Chief Clerk: the latter position I held for ten years. Then four years with the Minneapolis & St. Louis Railroad as Auditor; the last year of that I was auditor also of the Iowa Central. In 1903 I went to the Rock Island as Assistant Comptroller, and held that position until 1904, about a year and a half, since which time I have been General Auditor.

Q. You are familiar in a general way, and probably in a detailed way, with the result of the operation of the two cent fare in Missouri, and these other states, where they have adopted the two cent rate?

A. Yes sir. About two years ago I had occasion to prepare a number of statistical documents as arguments against the
8688 two cent fare, and appeared before Legislative committees of four states. I became very much interested, and have studied the matter more or less since then.

Q. In Missouri the two cent state fare went into effect on June 19, 1907?

A. Yes sir.

Q. Now what was the result of that with the traveling public in making use of that two cent fare in their interstate journeys? How did they do it, and to what extent was that done?

A. In making their inter-state journeys, they very frequently bought tickets to the state line. We found this was true, not only in Missouri, but in other states. We made tests of the tickets sold to and from stations where the state lines happened to be, and we found they had enormously increased in some cases three or four times the amount of sales of the previous year, which indicated conclusively that they had bought tickets to and from the state line, in order to obtain the benefit of the two cent fare in the states, on their inter-state journey.

Mr. LADD: I don't like to object, but I think a witness of that kind should confine himself to Missouri specifically, because the conditions may vary so at the state lines.

Mr. HAGERMAN: That was your observation as to all these two cent fare states, but was it particularly true in the state of Missouri?

8689 A. I should say it was particularly true in the state of Missouri.

Q. Was there any place where it could be so marked as in Missouri, in view of the geographical situation, the lines running through Missouri east and west, and north and south?

A. No sir, no other state.

Q. What was the result in the actual operation of your road, of that method of doing business, and buying tickets at the two cent fare, as affecting the inter-state traffic?

A. The result was to reduce the inter-state traffic, at least as it appeared on our books. Because we can identify the passengers, state and inter-state, only by the transportation that they present. The result was to increase above normal conditions the state traffic, and decrease the inter-state accordingly.

The COURT:

Q. That is as a matter of bookkeeping.

A. Yes.

Q. But not as a matter of fact?

—. No sir. If a man bought a ticket at Kansas City, we did not know whether he was going to Tennessee or was going to get off somewhere in the state of Missouri.

Mr. HAGERMAN: Take the time when the two cent fare was in force in Missouri, and not on the inter-state tickets, say you take the first three months that included, that would necessarily on the state's showing, would have the most favorable showing for the state of Missouri in this contest?

8690 Q. What was the result practically in compelling you to change your inter-state fare to correspond with the two cent fare adopted by the state?

A. While I had nothing to do with the fixing of rates, I know in a general way that the inter-state rates were ultimately reduced as the result of this buying of tickets to state lines, and then rebuying to destination.

Q. From the knowledge you have on the subject, and the study you have given it, and your experience generally, do you or do you not think that the making of a two cent rate by the state necessarily makes the rate for the inter-state, and particularly so in Missouri?

A. I should say it did.

Q. Why so?

A. Because, as I stated while I am not technically familiar with the making of rates, I know in a general way that the rates are based to and from Missouri and Mississippi river points. Necessarily the cost of the journey across the state of Missouri being reduced, it reduces that section of the interstate rate, and that makes arbitrarily and actually a reduction in the inter-state rate. It brought that about.

Q. The Rock Island system is rather representative of the Western states, as to railroads, and as to the territory traversed, isn't it?

A. I should think so. It runs in 13 states in the west.

8691 Q. And in Missouri you cross from St. Louis to Kansas City with one line, and with the other something like the Santa Fe, you come from Chicago through the northwestern part of the state, reaching St. Joseph and Kansas City?

A. Yes sir.

Q. So you have a very fair illustration of the entire situation in Missouri with the Rock Island line?

A. I should say so.

Q. You have also a very fair illustration, as the lines run, in the other two cent states?

A. I think so.

Q. I would like to have you tell the court, if you can, what was the actual increase in passengers carried one mile in Missouri, for the year 1908, and how that compared with the normal increase of previous years. I want to get the actual increase of the number of passengers carried one mile in 1908, and how that compared with the previous year?

Mr. LADD: You mean at the end of the fiscal year 1908?

Mr. HAGERMAN: Yes.

The COURT: When you say a year, you always mean the fiscal year, ending June 30, unless it is specially characterized as calendar year?

Mr. HAGERMAN: Yes.

Q. Have you a statement prepared showing that?

A. Yes.

8692 Mr. HAGERMAN: I will offer in evidence the statement identified by the witness.

The paper referred to is marked Complainant's Exhibit 47.

Complainant's Exhibit 47 is in the words and figures following, to-wit:

8693 Q. Before you proceed to the detail of that, I will ask you to explain what that exhibit 47 is, because it seems to show more than the number of passengers carried one mile?

A. This exhibit shows the number of passengers carried one mile, the total passenger revenue, the average rates per passenger per mile, by states, for the Chicago, Rock Island & Pacific from 1904 to 1903 inclusive.

Q. This is a statement practically for all the states in which your system runs?

A. Yes sir. I would explain that this statement covers the states in which the Chicago, Rock Island & Pacific runs. It does not include Texas, which was operated under a separate corporation, or New Mexico, also a separate corporation, but it includes all the other states.

Q. I notice that in 1904, in Missouri, the increase of the number of passengers carried one mile was 66.9%?

A. Yes sir.

Q. That seems to be far beyond normal as compared with the other figures?

A. Yes sir.

Q. That is accounted for, I presume, by the fact that in 1904 there was a World's Fair at St. Louis?

A. Yes sir, and also that is the year in which the line from St. Louis to Kansas City was opened for passenger traffic.

The COURT:

Q. Both those things account for it?

8694 A. Yes sir.

Mr. HAGERMAN:

Q. Those two things made it more than normal that year?

A. Yes sir.

Q. The St. Louis, Kansas City & Colorado used to run out from St. Louis to Union. Now that year they got the road completed through to Kansas City.

Mr. LADD: You treat that as a part of the Rock Island now?

Mr. HAGERMAN: Yes.

Mr. LADD: This particular witness in this matter treats this as a part of the Rock Island?

A. I do, in order to produce a proper comparison all the way through.

Mr. HAGERMAN: It is properly so now, whatever it was at the time it was built. It is a part of the Rock Island System, and is owned by it?

A. Yes.

Q. So when you get to 1905 and 1906, you have a decrease?

A. Yes.

Q. That is as compared with this abnormal increase of the previous year?

A. Yes.

Q. In 1904 the increase was 86%, and in 1905 it is a decrease under the 1904 abnormal figures?

—. —.

8695 Q. When do you get back to the normal?

A. I should say in 1907, when we show an increase of 18.1%.

Q. That is nothing out of the way from 1906 to 1907?

A. Yes.

Q. And you were operating then under the three cent fare?

A. Yes.

Q. You come now to the year 1907 and 1908, when the two cent fare is in effect?

A. Yes sir.

Q. What is the result?

A. An increase of 16.7% in passengers one mile.

Q. What was your average increase in all the states in which you run in passenger miles?

A. 21.2% for the year ending June 30, 1908, as compared with the previous year.

Q. Then in passenger mile, the increase was not up to the normal in 1906?

A. In Missouri, no sir.

Q. Take your passenger revenue, take the abnormal year of 1904-05, the opening of the new Kansas City St. Louis, and the World's Fair year, and you have how much increase for that year?

A. 58.5%.

8696 Q. Your figures showing an increase in the year 1905-06 is an increase over that abnormal year?

A. Yes sir.

Q. Now get to the normal year, 1906-07, and what was the result?

A. We have an increase of 30.3%.

Q. That is to say, for the year previous to the adoption of the two cent law, you had an increase in revenue of 30%?

A. Yes sir.

Q. When you got under the two cent rate law in Missouri, what was the result there?

A. A decrease of 9.3%.

Q. Now take the normal increase for your entire system, in this group of states, and for the year 1906, that has how much?

A. 15%.

Q. That was normal, taking it as a whole?

A. Yes sir.

Q. It was 30.3% in Missouri?

A. Yes.

Q. But when you come under the two cent rate, instead of there being an increase, there was a decrease of 9.3%?

A. Yes sir.

Q. And you actually got in money, although you were entitled to the increase of the year before, 30%, you got in money

8697 $85,000 less than you got the year before?

A. Yes sir, $85,514.30 less.

Q. What are the indications in the last figures you give on this sheet, the average rates per passenger per mile in cents?

A. In this abnormal year to start with there was a reduction of 10.6% of revenue per mile.

Q. That came largely from excursions to the World's Fair, and in connection with the new line, opened in connection with it?

A. I think that was due entirely to the Fair. There was an increase of 10.8% which brings it back nearly to normal.

Q. When you get to 1906-07 what was it?

A. An increase of 10%.

Q. Now when you come to the 2 cent fare, what is the result?

A. The average revenue is reduced 22%.

Q. And instead of getting 2.32 cents per passenger, how much did you get that year?

A. Instead of getting 2.32 cents per passenger, as in 1907, we received 1.81 cents per passenger, a reduction of .51 cents, a little over ½ a cent.

Q. That was practically 22% per passenger per mile?

A. Yes sir.

Q. That is to say, under the three cent fare you got from
8698 your Missouri passenger business 2.33 cents per mile?

A. Yes sir.

Q. But when you got under the two cent fare, you have been able to get only 1.81 cents per mile.

A. Yes sir.

I want to call attention also to that part of this statement, where I have shown the passenger traffic in group 6, as shown in Poor's Manual, which comprises several states, and also for the United States, which indicates the gross of traffic in this group of states, and also in the United States.

Q. In the group of states in 1906-07 what was shown there as being the normal, natural increase in passenger miles?

A. Passengers one mile 12.5%, and on revenue 17.1%.

Q. Let us go back and compare again.

In that group the natural increase was 12.5%, and in revenue 17.1%; and for the United States as a whole, the increase was what?

A. 9% in passengers one mile, and 10.6% in revenue.

Q. Now turn to the Missouri situation; the increase in passenger miles was what?

A. 18.1% for the same year.

Q. And for Missouri?

A. 16.7%.

Q. In revenue the increase for the states in group six
8699 which you mention, was 17.1%.

A. Yes.

Q. For the whole United States the increase, the natural increment, the increase of population, and the increase of travel, was 10.6%.

A. Yes sir.

Q. When you get to Missouri, it began the year before at 30%?

A. Yes sir.

Q. And then when you get into the 2 cent rate it shows a decrease of 9.2%?

A. Yes.

Q. Have you some other Exhibits showing the situation?

A. I have one, showing the Graphic record.

Mr. HAGERMAN: I will offer this statement in evidence.

The paper referred to is marked Complainant's Exhibit 48.

Complainant's Exhibit 48 is in the words and figures following, to-wit:

8700 Q. What does this exhibit 48 show?

A. On this exhibit 48 I have drawn a red line, which shows the growth of the traffic for the Rock Island Road per mile of road. Now this is not the total traffic, but per mile of road, so if they have added any new miles, they would not be reflected in this.

Q. The red line indicates what?

A. The red line indicates that in 1903-04 the density of traffic

was 72,000 passengers per mile of road. The increase on the state shows 72 passengers per mile of road.

The COURT: That is for the whole system?

A. Yes sir.

Mr. HAGERMAN: That is starting in 1904?

A. Yes sir. And in the next year 106,000 and in 1905 110,000.

Q. And then you get up where?

A. In 1905-06 it is 90,000. 1906-07 94,000. 1907-08 110,000. Now take the states retaining the three cent fare, I have taken only Colorado and Dakota, because in the beginning we had no mileage in Louisiana.

Q. In that period of time you have gone up from 72,000 to 110,000?

A. Yes sir.

Q. Go on now?

8701 A. The green line shows the two states, Colorado and Dakota, which still retain the three cent fare, starting with 42,000 in 1903-04, 52,000 in 1904-05; nearly 68,000 in 1905-06; then down to 58,000 in 1906-07; up to nearly 74,000 in 1907-08. Then I have also shown Missouri in brown, the same figures I gave before.

Q. The red line shows the Rock Island as a system?

A. Yes sir.

Q. And the green line shows what?

A. The green line shows the two states, Colorado and Dakota, where the three cent rate is in existence.

Q. And the brown line shows Missouri?

A. Yes sir.

Q. Which had the three cent rate up to 1907, and thereafter the two cent rate?

A. Yes sir.

Q. Trace that?

A. This was made in an attempt to find out how much the two cent fare stimulated traffic in Missouri. This shows from 42,000 up to nearly 60,000 in 1904-05. That is the World's Fair year. Then in 1905-06 it goes down to 56,000; in 1906-07 up to 61,000; winding up in 1907-08 just a trifle under Colorado, Dakota, being 74,000. This shows that during last year, while the three cent fare was in existence in Colorado and Dakota, and the two cent fare in effect in Missouri, the increase in passengers one mile was greater in Colorado, Dakota, than in Missouri, which indicates that the two cent

8702 fare did not greatly stimulate traffic.

Q. What is the next exhibit you have?

A. The next exhibit I have shows the revenue. That is a table prepared similarly to the passenger mile chart, which you have just shown, showing the increase in revenue.

Q. Yes sir, by the mile of road.

Mr. HAGERMAN: I will offer this paper in evidence.

The paper referred to is marked Complainant's Exhibit 49.

Complainant's Exhibit 49 is in the words and figures following, to-wit:

8703 Q. What is — this statement, Complainant's Exhibit 49 shows, Mr. Nay?

A. The red line shows the Rock Island system.

Q. And what does the green line show?

A. The green line shows the line in Colorado and Dakota, where the three cent fares are retained.

Q. And what does the brown line show?

A. The brown line shows Missouri, where they adopted the two cent fare.

Q. Trace that, and see what the result is?

The COURT:

Q. That is per mile?

A. Per mile of road.

The red line shows the earnings per mile of road on the Rock Island were $1620.00 in 1903-04; and then up to $1680.00 in 1904-05, and then up to about $1920.00 in 1905-06; and then up to about $2070.00 in 1906-07; and only a slight increase in 1907-08, a little less than $2100.00.

Mr. HAGERMAN:

Q. Now in a great number of the states, through which you operate, they had put into effect a tow cent passenger rate?

A. Yes sir.

Q. Take the green line, where the 3 cent fare is still in effect?

A. The green line, I think I should say briefly, traces almost the same directions as the green line on Exhibit 48. That brown line being Missouri only, traces nearly the same direction as on exhibit 48, up to 1906-07. But during this last year, it goes down
8704 from $1470.00 per mile of road to $1320.00 per mile of road.

Q. Whereas on the system in the year 1906-07, it went up a fraction?

A. Yes, slightly.

Q. And for that same period of time, where the three cent fare was in force, it went up very considerably?

A. Yes sir, it went up almost in proportion to the increase in traffic.

Q. You use these tables for the purpose of deducing the conclusion that the two cent fare did not *show* so stimulate the travel as to make any appreciable difference.

A. It did not.

Q. That is your opinion?

A. Yes.

The COURT:

Q. What per cent do you think the 2 cent fare does stimulate travel? Cutting out the World's Fair and the addition of lines, and all that sort of thing? Take it in the west generally?

A. I have not attempted to formulate any per cent, but I think it would be very small, perhaps less than 5%. I think perhaps 2 or 3 would be nearer the fact. I base that on knowledge, and my own

experience. I was raised in the country on a farm, and I know we used to travel when we went back home, we would wait for an excursion. We didn't pay three cents. The business man, I
8705 have learned since then, when I began to mingle with them, they travel any way whether it costs three or two cents. Commercial travel- always got a two cent rate on their mileage tickets; and so the stimulation of traffic between points in the state, which formerly paid a rate of three cents, has not been marked, except to a very limited extent, and it is hard to determine just what extent.

Q. Wouldn't it be more noticeable with a long passage than even a short

A. Yes sir, it would.

Q. You have prepared here another statement, for the year ending June 30, 1908, as compared with the preceding year, for the State of Missouri——

The COURT: Do you think for a short time, say for a few months, that it was perhaps something of a curiosity or novelty, and that it increased travel more then than now for that reason?

A. Yes sir, I believe it did. But after the novelty wore off it fell off.

Mr. HAGERMAN: The two cent rate came into force about the time people began taking their summer vacations anyway?

A. Yes sir.

Q. Mr. Ellis said he noticed it in connection with the inter-state travel, but that it was not noticeable in regard to state travel: what do you say to that?

8706 A. My figures, which I will submit in a moment, bear that out.

Q. That is your view of it?

A. Yes. The figures I submitted before had reference to the consolidated business, both state and interstate.

Q. And you are now going to present a statement which separates the state and interstate?

A. Yes sir. Since July, 1906, we have kept our passenger earnings, state and interstate, separately and are, therefore, able to make these comparisons.

Q. This statement relates to statistics as to passenger traffic in Missouri for the year ending June 30, 1908, compared with the preceding year?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence this paper.

The paper referred to is marked Complainant's Exhibit 50.

Complainant's Exhibit 50 is in words and figures as follows to-wit:

8707 Mr. HAGERMAN: Your Exhibit 50 shows what?

A. This shows the passenger traffic in Missouri for the year 1908, compared with the preceding year. Without reading the detailed figures it shows an increase in the passengers one mile, on state business 22.4%, and an increase in state business of 12.8%; a total increase of 16.7%.

Now the per cent of increase here in state traffic, is greater than the increase in interstate traffic, and that compared with the result

in other states, leads me to believe that what I said awhile ago about the passenger buying a ticket to the state line, was peculiarly true in Missouri; and I believe that that increase, or that excess, I should say, of traffic in state over inter-state, is due entirely to that practice.

Now with regard to the revenue, it is shown in the next four lines there is a decrease of 7.4% in the state revenue and a decrease of 10.8% in the interstate revenue, making up a total decrease of 9.3% in the entire revenue.

Then in the third section of this exhibit 50, we show a decrease of 26.3% in the average revenue per passenger per mile on state traffic, and a decrease of 20.7% in the average revenue per passenger per mile on interstate traffic; making up a decrease of 22% in the total average revenue per passenger per mile in all traffic.

Q. To emphasize this, prior to the adoption of the two cent fare law, you did actually receive from your state traffic 2.62 cents for every passenger carried?

8708 A. Yes sir.

Q. And under the two cent fare law that has become 1.93 cents?

A. Yes sir.

Q. Or a difference of .69 cents?

A. Yes.

Q. What was the result as to the interstate? Prior to that time you received in Missouri what amount for interstate passengers?

A. 2.17 cents, end during last year when the 2 cent rate was in existence, we received only 1.72, a decrease of .45 cents, or nearly ½ cent.

Q. And what does that amount to on the whole business?

A. A decrease of .51 cents, or 22% in the average revenue per passenger per mile.

Q. Take it as an actual calculation upon your state and interstate business in Missouri, the difference between what you were receiving prior to the passage of the two cent law, and what you actually got under its operation, both state and interstate, and what is the result?

A. The difference was $85,514.30, between what we actually got——

Q. You misunderstand my question?

A. You mean the decrease?

Q. You carried so many passengers one mile?

A. Yes.

8709 Q. At 1.93 cents, whereas without the two cent law you would have carried them at 2.62 cents per mile?

A. Yes.

Q. And likewise as to the interstate?

A. Yes.

Q. What is the result?

A. The result is we received $124,469.14 less on state traffic than we would have received if the same average rate prevailed as during the previous year.

Q. And what is the result on the interstate traffic?

A. On interstate traffic we received $111,178.60 less than we

would have received if the same average rate had prevailed as during the previous year.

Q. And in the State, in actual dollars and cents, what was the total decrease in revenue?

A. $235,647.74.

I would like to explain for the benefit of the expert accountants on the other side, that if they test these last figures down here, they will find the multiplication of the .69 by the passengers one mile, will not exactly equal these figures. We made the exact calculation on the total, and owing to not carrying out the fraction to ten or twelve points, we averaged thus between the two classes of traffic.

The COURT: You just carried them out two decimals?

8710 A. Yes sir.

Mr. HAGERMAN: What is the next table you have?

A. The next is the same kind of a table for the entire line, and the same condition prevails as to the relationship.

Q. This statement covers how many states?

A. This statement contains statistics relating to passenger traffic of the Rock Island lines, comprising the operated mileage in fourteen states for the year ending June 30, 1908, compared with the preceding year.

In this statement I have included the entire Rock Island Lines, which includes the Texas and the New Mexico Lines.

Mr. HAGERMAN: I will offer in evidence this statement.

This statement is marked Complainant's Exhibit 51.

Complainant's Exhibit 51 is in the words and figures following to-wit:

8711 Q. What does this exhibit show?

A. This exhibit shows that in the state traffic, for the entire Rock Island Line——

Q. Including the lines even, where you have a three cent fare in force?

A. Yes.

Q. Proceed:

A. This shows an increase in state passengers one mile for the year 1908, as compared with the preceding year, of 10.8%; and in the interstate 31.5%, making a total increase of 21.6%, for all business.

This shows that the increase in the interstate traffic was practically three times the per cent of increase in the state traffic.

Then with regard to the revenue, it shows that on state traffic the revenue actually decreased $676,444.77, or 8.4%. While on interstate revenue the increase was over $1,000,000 or 14.9%; resulting in an average of 3.3%.

Then the average revenue per passenger per mile on state traffic decreased from 2.32 cents to 1.91 cents, or .41 cents, or 17.1 per cent.

While on the interstate traffic the decrease was 2.15 cents to 1.88 cents, a decrease of .27 cents, or 12.6 per cent.

The total average revenue per passenger per mile showed a de-

crease from 2.33 cents to 1.89 cents, or .34 cents, which is 15.2%.

8712 This shows that the average revenue per passenger per mile on interstate business was as I said a while ago, was actually decreased 12.6% or more than ¼ of a cent for every passenger one mile.

Q. And under this two cent fare, for the reasons already given, you had been compelled to put the two cent fare in force on your interstate business?

A. Yes sir.

Q. Have you calculated the amount of loss for the state business and interstate business of the system, under the operation of the two cent law?

A. Yes.

Q. As you have heretofore calculated it for the state by your last exhibit?

A. Yes sir.

Q. And subject to the same suggestion and correction for not carrying it out beyond two fractions?

A. Yes sir.

Q. That omission would not vary the results substantially, would it?

A. No sir.

Q. What in dollars and cents have you lost upon the state business for the system?

A. If the average revenue per passenger per mile in 1907 had been the same as in the previous year, we would have received more than we actually did receive on state business, $1,616,337.34;

8713 and on interstate $1,382,433.23, or on the total business $2,998,770.57. We considered that we lost that amount of revenue by the reduction in the rates.

Q. In other words, upon the Rock Island System, if you had been permitted for the last year to charge the same rate as you were authorized to charge the year before, you would have made practically $3,000,000 more upon the system than you have been able to make on the system, under the practical operation of the two cent fare?

A. Yes sir.

Q. What is the next statement you have prepared?

A. This next statement is intended to further ascertain what stimulation, if any, resulted from the operation of the two cent fare in regard to passenger traffic.

Mr. HAGERMAN: I will offer in evidence the statement referred to. This statement referred to is marked Complainant's Exhibit 52.

Complainant's Exhibit 52 is in the words and figures following to wit:

8714 Q. What does Complainant's Exhibit 52 show?

A. In this statement I have taken all the states in the Rock Island line, except Tennessee. We have about 1½ miles of terminal track in Memphis. This statement comprises 13 states.

A. In eight of them.

Q. In how many of those states have two cent rate laws been put in force?

Q. Which are those?

A. Illinois, Iowa, Nebraska, Missouri, Kansas, Oklahoma, Minnesota and Arkansas.

Q. What have you shown as to those states?

A. In those states I have shown in the first column the per cent of increase in passengers one mile, that is passenger revenue.

Q. Those are all two cent rates?

A. Yes sir.

Q. The purpose of this statement is to give such information as the court can obtain from it, upon the proposition of whether a two cent passenger rate has actually stimulated traffic?

A. Yes sir.

Q. What is the result?

A. Shall I read these figures?

Q. Give us an idea of what it shows. Take Illinois, for
8715 instance?

A. In Illinois there was an increase of passengers one mile of 2.5 passengers, and a decrease in revenue of 14.1.

Q. You have given it for Missouri?

A. There was an increase of 22.4 passengers one mile, and a decrease of 7.4% in revenue.

The COURT: See if I understand you: there would have to be an increase of 33⅓% to make the revenue equal as between the two and the three cent rate?

A. Yes, practically that.

Q. Would it be 33⅓% or 50%?

A. There would have to be an increase of 50% in passengers one mile to make the same revenue.

Q. Take Iowa, it did increase 25?

A. Yes.

Q. But there is a decrease in revenue 2.4%?

A. Yes sir.

Q. Now would Iowa have to increase 33⅓% or 50%?

A. 50%.

Mr. HAGERMAN: To come out even?

A. Yes sir. 100 miles at 3 cents would make $3.00; it would take 150 miles at 2 cents to make $3.00. 150 is 50% more than 100.

Q. What Iowa was entitled to there, according to the natural increase, was a substantial increase in revenue, according to the figures you have shown?

8716 A. Yes sir.

Q. And notwithstanding it increased 25% in passengers one mile, it actually went behind in passenger revenue 2.4%?

A. Yes sir. Do we all understand that this is strictly state business?

Q. You are dealing now solely with state business?

A. Yes sir, and the heading of exhibit 52 shows that.

Q. Now take Kansas, what does that show?

A. Kansas shows an increase of passengers one mile 1%, and a decrease of 19.8 in revenue.

Q. Look at Arkansas and Minnesota, which are the subjects of losses as to the effect of a law now pending, and which are probably in the course of trial now?

A. Minnesota shows an increase of passengers one mile of 18.7% and a decrease in revenue of 10.7%. Arkansas shows an increase of 2.6% in passengers one mile, and a decrease of 22.3% in revenue.

Q. As illustrating the idea that the two cent fare has not stimulated passenger traffic per mile to any substantial degree, take your next column showing the group of states in which they have a three cent fare. Take Colorado for instance, immediately adjoining Kansas?

A. In Colorado we have an increase of passengers one mile of 23.4%.

Q. That is more than the increase in Missouri?

8717 A. Yes, 1% more.

Q. And what is it in revenue?

A. 18.9% increase.

Q. What difference is there in per cent between Missouri and Colorado, as to passenger revenue?

A. 26.3%.

Q. Take Dakota under the three cent fare, and state what it shows?

A. In passenger one mile the increase was 32.7%; and the passenger revenue increased 29.9%.

Q. Let us go where we have four cent fare in New Mexico; state what was the result there?

A. An increase of 51.4% in passengers one mile, and in passenger revenue an increase of 54.3%.

Q. Have you made a statement with your own road in line with some of these statements that have been offered by other witnesses, showing the increase in the average prices of materials in a period of ten years?

A. Yes sir.

Mr. HAGERMAN: I offer that statement in evidence.

The statement referred to is marked Complainant's Exhibit 53.

Complainant's Exhibit 53 is in the words and figures following to-wit:

8718 Q. I see that your statement Exhibit 53 covers the period or rather, it compares the average prices on material purchased during the year 1897, as compared with the year 1907.

The question of preparing that statement came up only incidentally after other witnesses had been testifying here, and you had to give the figures from what you have at hand?

A. Yes sir. The original of this statement was prepared more than a year ago in connection with some other case. It had nothing to do with the Missouri case. These figures were prepared from our vouchers, which show the prices that were actually paid for the various classes of material.

Q. This statement refers simply to materials?
A. Yes sir.

Mr. HAGERMAN: I will not stop to read the statement, because it has been gone into very fully by Mr. Peabody.

Q. Have you with you any document that will give practically accurately a list of the states where the passenger fare is limited to less than three cents, and the population per mile of railroad, and per 100 square miles of territory?
A. Yes sir. The bureau of railway news and statistics leaflet No. 5, shows that.

The COURT:

Q. Coming from what department at Washington?
A. This document is printed in Chicago, it is not from
8719 the Government; it is printed under the auspices of the railroad companies.

The figures in there are given by Mr. S. Thompson, and he compiles those from copies of our annual reports to the interstate commerce commission. Each year we send to Mr. Thompson copies of certain pages of our reports, and he makes compilations from those. And if he asks for other information we give it to him, and he makes compilations which apply to the country at large, or a great portion of it.

Q. Aside from that compilation, he expresses an opinion here, which I should like to ask your judgment on, and can probably ask it better after reading it. The article says:

"There is no means of telling what proportion, if any of this increase of 807,012,000 passenger miles was due to the stimulation of travel by a lower maximum rate."

Mr. LADD: What is that?

The COURT: Of course it will clearly be subject to objection as being hearsay, but Mr. Hagerman asks him the question.

Mr. LADD: I don't wish to make any objections, but I wish to look at the document.

Mr. HAGERMAN: I simply wish to offer it as corroboration of the testimony of Mr. Nay. It is an easy way of reference only. I want to read it and ask his opinion about it.

Q. I desire to call your attention to a part of this document,
8720 and ask your opinion in reference to it.

Mr. Slason Thompson says:

"There is no means of telling what proportion, if any of this increase of 807,012,000 passenger miles was due to the stimulation of travel by a lower maximum rate. Undisturbed by any legislative stimulus, it increased 126% in the decade from 1897 to 1907, in spite of a slight decrease in 1902-03. In some of the territory served by these railroads, the increase has been far more rapid. In the group comprising Nebraska, part of the Dakotas, and Montana, the increase has been nearly 300% in ten years, and in that, including Missouri, Arkansas, Kansas and Oklahoma, it has been nearly 220%. Which would go to show that passenger traffic was increas-

ing as rapidly before the enactment of the two cent maximum as it has since."

Now I want to know your judgment about that?

A. My judgment is that it was increasing practically as rapidly before the passage of the two cent law as since.

Q. The tabulation, as it is given there, is that correct, as to where the fare is limited under two cents?

A. I think it is.

Q. What do you say about the number of square miles of territory, and the population?

A. I have looked at the footings of those. Those I am familiar with are correct.

Q. So far as your line is concerned, is it correct?

8721 A. So far as our line in Missouri is concerned, it is correct.

Mr. HAGERMAN: I will offer in evidence this leaflet No. 5.

The paper referred to is marked Complainant's Exhibit 54.

Complainant's Exhibit 54 is in the words and figures following—towit:

8722 Q. In the Frisco case, Mr. Nay, they seemed not to have had a separate statement, as you have upon the Rock Island, for the states separately for half years, having kept their accounts as a system, thus showing separately the state from the interstate, and that as shown by the annual report and Mr. Douglass' testimony, the revenue per passenger under the three cent rate was 2.56, and that the revenue per passenger per mile was 1.87 cents, under the two cent law.

Now have you caused to be made a calculation upon that basis, along the line you had it made for the Rock Island, so as to show the loss upon the Frisco business in Missouri?

A. Yes sir, I have prepared this statement.

Mr. HAGERMAN: I will offer in evidence this statement.

The paper referred to is marked Complainant's Exhibit 55.

Complainant's Exhibit 55 is in the words and figures following to-wit:

8723 Q. The calculation there on Exhibit 55, is the same as you made it up on the Rock Island, taking the difference between what they were receiving upon the system, prior to the adoption of the two cent fare, and what they received in Missouri, under the two cent fare?

A. Yes sir.

Q. What is that difference?

A. The rate per passenger per mile on the system during the fiscal year 1907 was .0256 mills.

Q. And what was it for Missouri for the year 1908?

A. .0187 mills.

Q. What loss does that show?

A. It makes a loss per passenger per mile of 6.9 mills.

Q. I believe in the Rock Island case it was 5.9?

A. Yes, and that is the exact difference in the state traffic on the Rock Island. I had not thought of that before.

Q. The only difference between those, as I understand, is that they take the old rate for the system instead of for the state?

A. Yes sir.

Q. And that difference corresponds with the Rock Island, where they actually kept it by states, and as between state and interstate?

A. That is exactly the same as the difference on the Rock Island in state business. On the Rock Island we had .51 decrease
8724 on the total, and of course there would be a difference in the character of the business to justify it.

Q. That is not the difference in the total, but is the difference in the system figures, and the state business in Missouri, and that makes the same difference that the Rock Island has upon the state business?

A. Yes sir.

Q. Using that in this state, what was the difference or loss upon the state business?

A. The loss was $666,008.72.

Q. And upon the interstate business in Missouri it was what?

A. $509,738.63.

Q. Nearly $1,200,000 in the state?

A. Yes sir. Now if I may be permitted to add, if the state and interstate business had been kept separately, the loss on the state business would doubtless be larger than it is in this statement, because we found the decrease in the average rate has been greater on the state than on the interstate.

Q. In other words, taking the system figures on the Frisco as one upon which to make the reduction, you get the most favorable showing for the state?

A. Yes sir.

Q. You were assuming the correctness of Mr. Douglas' figures and those in the annual report?

8725 A. Yes sir.

Q. You did not make those figures?

A. No sir, I simply made the computation.

Q. Upon Mr. Douglas' statement of three months, and there was one prepared for six months for the Frisco, which will be identified hereafter, you are familiar with the method of calculation, making up that statement, and showing a loss?

A. The commodities affected, you mean?

Q. I mean the general details of the statement showing the state business as a whole?

A. Yes sir.

Q. Without committing yourself to the Frisco figures, because all you can know about them is by these statements that have been verified by Mr. Douglass and assuming that the general statement is correct, have you prepared a statement upon the 3 and 6 months basis, applying the same principle to the commodities affected by this act?

A. Yes sir.

Q. Let me see what the result is in that case: take first for the three months period: have you prepared a statement for that period?

A. Yes sir.
Q. This statement applies the same principle?
A. This shows that the gross earnings upon the com-
8726 modities affected——
Q. This applies the same principle. I do not care to take the time to read it.

Mr. HAGERMAN: I will offer in evidence this statement.
The statement referred to is marked Complainant's Exhibit 56.
Complainant's Exhibit 56 is in words and figures as follows to-wit:

8727 Q. Without taking the time to go into the detail of this Complainant's Exhibit 56, what I want to get is, when you get to the end, how much revenue is left as a surplus on the commodities affected, before you allow anything for extra cost or interest, or on account of valuation?
A. Applying the state freight expenses, there is a net revenue of $14,864.12.
Q. That is for the three months period?
A. Yes sir.
Q. That is applying the same rule that in our statement we apply to the state business as a whole?
A. Yes sir.
Q. And applying it simply to the commodities, if the court says that is the way it ought to be ascertained?
A. Yes sir.

The COURT:

Q. $56,000 for the year in round numbers.
Mr. HAGERMAN: Out of what mass of earnings?
The COURT: The commodities referred to in the statute. Isn't that right?
A. Yes sir, only those commodities.
Mr. HAGERMAN: There is carried out there in the last estimate of Mr. Douglas, the figures 50% added to the cost of freight, apportioning the part shown by his statement to interest and valuation which would show a very substantial loss?
8728 A. Yes sir. After taking out the diminution of the rates this $56,000 is figured, as I understand it, by Mr. Douglas, on the railroad rates, and on the rates under the maximum freight law.
So you would take out the difference between those rates, and there is only $3,400.00 left for the conduct of business for the three months?
Q. Do you think, if it is a fair way to estimate the returns to which we are entitled upon the state business as a whole, that would be a fair way to estimate it upon the commodity?
A. I should think so, yes.

At 5.30 p. m. adjournment was taken until to-morrow, Saturday, December 19, 1908, at 9 o'clock a. m.

8729 KANSAS CITY, MISSOURI, *Dec.* 19, 1908.

Met pursuant to adjournment on Saturday, Dec. 19, 1908, at 9 o'clock in the forenoon.

Present: Parties as before.

The following proceedings were had:

Cross-examination.

By Mr. LADD:

Q. Mr. Nay have you exhibit 48 before you, that you analyzed yesterday?

A. I haven't it with me.

The COURT: That is for the system?

Mr. LADD: Part of it is for the system, and part of it is for Missouri.

Q. During the entire period covered by this little sketch showing by lines the increase or decrease in the traffic the number of passengers carried one mile—that is what it shows, isn't it?

A. Yes sir, per mile of road.

Q. That begins when?

A. July 1, 1903.

Q. And ends June 30, 1908?

A. Yes sir.

Q. Does that entire period cover this road from St. Louis to Kansas, which we call the St. Louis, Kansas City & Colorado?

8730 A. Yes sir.

Q. That is included in the whole thing?

A. Yes sir. You understand, Mr. Ladd, it was operated separately; however, the early portion of that period, for the purpose of making a proper comparison, we went back and added the two together in the time they were operated separately.

Q. That is all included?

A. Yes sir.

Q. That is a new road, isn't it?

A. Yes sir.

Q. The greater part of it is entirely new, built within the last four or five years?

A. It formerly extended to Union. It was built St. Louis to Union.

Q. How many miles is that?

A. I don't remember exactly, but 80 or 90 miles, something like that.

Q. And it has since been extended to Kansas City, that is right, isn't it?

A. Yes sir.

Q. What is the distance, Kansas City to St. Louis on that line?

A. About 300 miles—299 miles.

Q. You come into town here over the Belt Line?

A. Partly over the Belt and partly over the Frisco tracks.

8731 Q. Where is the actual western terminus of your own part of that line, the St. Louis, Kansas City line—how far east of here?

A. Four or five miles.

Q. How near the Blue River?

A. I don't know it by that name.

Q. What is the name of the station?

A. It is probably Leeds Junction. Probably about ten miles out from the Union Depot.

Q. And from that point ten miles out you used the tracks of some other road to get into town?

A. Yes sir.

Q. On that road, Mr. Nay, there is very little through passenger business between here and St. Louis?

A. By through business you mean between St. Louis and Kansas City?

Q. Yes.

A. By little——

Q. I mean as compared with the other roads between here and St. Louis, that road carries a very few through passengers, doesn't it?

A. We run two trains each way.

Q. I am not asking you about trains, but I am asking you about passengers, the relative through traffic between here and St. Louis on that road, and other roads that run trains between St.

8732 Louis and Kansas City. It is almost insignificant, isn't it?

A. No sir. Very little is not a very definite expression. I should imagine that line carried from 33⅓ to 40 or 50 per cent as much as the other lines between St. Louis and Kansas City as the average of the other lines.

Q. Would you think so?

A. Off hand, I should think so. I make that statement because I have sometimes had to take an upper berth on that train, and that impresses itself on my memory.

Q. For instance, how many night trains do you remember on that road?

A. One each way.

Q. How many do the other roads run?

A. Two each way, I think, night trains.

Q. How many day passenger trains do you run between St. Louis and Kansas City, each way?

A. One each way.

Q. How many do the other roads run?

A. I think most of them run three day trains. I think we run two trains each way against the other roads four or five trains each way.

Q. That is in the 24 hours?

A. Yes sir, daily.

Q. Mr. Nay referring to your exhibit 47, which was in-

8733 troduced in evidence last evening, giving the number of passengers carried one mile, and the total passenger revenue in many states including Missouri, for three or four different an-

nual periods, I would like to ask you if you have the number of passengers carried one mile on the Rock Island Road in Missouri during the months of July, August and September, 1906, the same months in 1907, and the same months in 1908. The figures on exhibit 47 are annual figures, I understand?

A. Yes sir. Mr. Ladd, I have those figures for the years 1906 and 1907 at the hotel. I did not bring them with me because they were part of the testimony in the Rock Island case, and I did not know they would be needed; but I can get them for you.

Q. Have you also the figures for the three months of this year, July, August and September?

A. I haven't those with me, but I can get them.

Q. Will you mind sending those down?

A. I will be glad to do so.

Q. Just send them to Mr. Hagerman and he can hand them to us?

Q. You want the passengers one mile?

A. Yes, the passengers one mile for those three months in those three years, for Missouri. And also for the same three months in each of those years, the passenger revenue?

A. I will get those.

8734 Q. You understand I mean by that that the total revenue and not divided between state and interstate. I will not ask you to do that.

A. I understand. I am to get them for July, August and September, for the years 1906, 1907, 1908.

Q. You are the Auditor of the Rock Island system, aren't you?

A. Yes sir.

Q. I would like to ask you how much of the total operating expenses, and by that I mean all the expenses exclusive of taxes and interest charges, and anything of that sort, of your system, can be definitely fixed, specifically fixed, upon freight or upon passenger expense. By that I mean what proportion of the expense can be definitely located as distinctively a passenger expense or distinctively a freight expense?

A. (After examining papers:) I thought I had it here in a way that would show. In a rough way I should say between 45 and 50 per cent. It may be more than that, Mr. Ladd. Out of a total of $2,000,000 expenses that I have here, I run over roughly between $900,000 and $1,000,000 that I find I have located in the actual division.

Q. Could you give me the inside and outside figures so as to allow a rtain——

A. I should say between 45 and 60 per cent.

You understand that percentage would vary, because take
8735 the total maintenance of way and structures, and it cannot be located, that cannot be located, I should say a very small portion, it would be negligible, that portion of the maintenance of way and structure expense that cannot be so located.

Now maintenance of way and structures are a class of expense that fluctuate. In the summer time they will do twice as much repair

on their maintenance of way and structures as they do in the winter time; so in the winter time I might be able to locate as much as 60% of the total expenses.

Q. I am speaking of course of an annual period?

A. This statement I have here is for six months, and it is for the six months ending June 31, 1907.

Q. The last six months of the year?

A. Yes sir. That would be a period of the year during which we would be doing a good deal of maintenance work, and I presume my 45% would be low there. I should say from 45 to 60 per cent.

Q. So that on every hundred dollars of total expense from $45.00 to $60.00 can be definitely located, as a total, definite allocation of expense to freight and passenger?

A. Yes sir.

Q. And the balance, the 40 to 55 per cent is common to both?

A. Yes sir.

8736 Q. I would like to ask you Mr. Nay if you know whether your passenger train service in Missouri is the same as it was before the 1st of July, 1907. That is do you run the same number of trains?

A. I believe that could be best determined by a comparison of the train mileage in the state for the two years.

Q. I do not mean train miles, but the trains.

A. The kind of service?

Q. That is to say, you ran a train which leaves here in the evening for Chicago. Do you still operate that train?

A. The time is substantially the same.

A. I mean the number of trains, and not the number of train miles?

A. The passenger service?

Q. You have the same passenger service—I mean the number of trains. You have the same number of train- in the passenger service in Missouri that you had before the first of July, 1907?

A. I should say substantially the same.

The COURT: The same number of trains, local, through and branch?

A. Yes, substantially.

Q. And approximately upon the same schedules?

A. Yes.

8737 Mr. HAGERMAN:

Q. There may have been in that time some variation in the hours of starting and so on?

Mr. LADD: I did not mean that.

A. Of course *if* the hours changed it would be the same time substantially.

8738 H. W. PRESS, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. You are the Assistant to the Auditor of the Frisco Road?
A. I am the statistician in the General Auditor's office.
Q. You are familiar with Exhibit 2, which was the general statement of the Frisco Company from July to September, 1907, which was served last June upon the state?
A. Yes sir.
Q. As time has progressed, have you got your information as to the freight earnings and expenses for six months?
A. Yes.
Q. And for passenger earnings and expenses for 12 months?
A. Yes sir.
Q. Have you upon the same form, at my request, transcribed a statement carrying forward this general statement for a six months' period?
A. Yes sir.
Q. For the purposes of comparison?
A. Yes sir.
Q. Now for the six months period, you have put in the figures that did appear for the three months?
A. I made a consolidation for the two periods.
8739 Q. And you did that likewise for the passenger?
A. Yes sir.
Q. I am not going through the details of that, but what we wanted to show was about how the business was running since then. Now turn to your statement for the six months' period?
A. I have it here.
Mr. HAGERMAN: You understand Mr. Ladd they have got the freight earnings and expenses for six months now?
Mr. LADD: You are extending your statement, which we already have, over a longer period of time; that is all.
Mr. HAGERMAN: Yes, for the purposes of comparison, and to see how it runs.
Q. This statement has been correctly compiled, has it Mr. Press?
A. Yes, sir.
Mr. HAGERMAN: I will offer this paper in evidence.

The paper referred to is marked Complainant's Exhibit 57.
Complainant's Exhibit 57 is in the words and figures following, to-wit:

8740 Mr. Press have you made a compilation for the year covering the period July 1907 to June 30, 1908, showing the passenger business for that year, earnings, expenses, and so on?
A. Yes.
Mr. HAGERMAN: I will offer this statement in evidence.

The statement referred to is marked Complainant's Exhibit 58.

Complainant's Exhibit 58 is in the words and figures following, to-wit:

8741 Q. On this six months' statement, complainant's exhibit 57, turn to the passenger part for a minute, because that is the only thing I want to call attention to now. The rest of the statement, the period will show even a greater loss than was shown upon the other, if you reduce it down to a month, or carry it forward for a year. But I want to call attention to the passenger figures. Upon the six months' basis, where you have the actual figures for the six months, comparing that with the three months' statement, and multiplying the three months' statement by two, upon the assumption that the three months is a fair average for the six months, how much was the three months' statement in excess of the actual figures?

A. $23002.72.

Mr. HAGERMAN: If I have made myself plain about that if the court please, if the three months were treated as typical and then the actual figures were taken for the six months, the difference would be $23,000. That is the figures would earn $23,000 more actually for the six months than the figures for the three months showed.

Q. Take the three months statement now, and for the year that would amount to four times that amount as typical of the year?

A. Yes sir.

Q. What is that figure?

A. $32,759.56.

Q. And for the actual figures it was $60,676.94 less?

8742 A. Yes.

Cross-examination.

By Mr. LADD:

Q. Mr. Press you say on Exhibit 58, which reads in this way, a part of it:

"Upon the three months' statement, Exhibit 2, $80,939.89, represents the surplus before deducting extra cost of interest charge, or making allowance for the value of the property."

Now that $80,939.89 is for the months of July, August and September, is that right?

A. Yes.

Q. Then you multiply that by four in order to get your $323,759.56 for one year. You do that, don't you?

A. Yes sir.

Q. Now I will ask you if July, August and September, if that is not a quarter in which the largest passenger receipts are earned?

A. It was that quarter but the largest expenses are in those three months, also.

Q. I am asking you about receipts?

A. Yes sir, receipts.

Q. Do you think it would be fair, or would it be accurate, to estimate that the gross receipts for the year were four times those of July, August and September? I mean passenger receipts?

8743 A. Would it be fair to make that four times?

Q. You multiply that by four, yes, in order to get the year. Aren't those, as compared with other months, thriving passenger months?

A. Yes.

Q. So the gross revenue from the passenger service would not ordinarily be what it was for those three months?

A. No sir. It would not be absolutely correct to multiply that by four to get at the correct amount.

Q. Neither for the last six months of the year would it be twice the first three months of the latter half of the year?

A. It would not be absolutely correct?

Redirect examination.

By Mr. HAGERMAN:

Q. But the most favorable aspect for the state would be on the three months?

A. Yes sir.

Q. And one of the purposes in preparing this statement was to prepare it so as to show what it actually was?

A. Yes sir.

Recross-examination.

By Mr. LADD:

Q. Why would the most favorable aspect for the state be for those three months?

8744 A. The surplus in the first three months is greater than the actual figures for the entire period. The surplus in the first three months is $80,939.89, before deducting the interest or any additional cost. Multiplying that by four would give you $323,759.56, whereas the actual surplus for the actual year, would not be four times that much.

8745 C. L. STONE, a witness of lawful age, being duly produced, sworn and examined on the part of the complainant, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. Your position is what?

A. Passenger Traffic Manager of the Missouri Pacific Railway Company.

Q. What railroad experience have you had?

A. I entered the railway service in 1881 as clerk in the Treasurer's office of the Cincinnati, Hamilton & Dayton Railroad. At the time the Auditor's office was created I was transferred into that office and served there in various clerkships. Three or four years later I was moved into the passenger department as ticket stock clerk, passenger rate clerk, and afterward became Chief Clerk of that depart-

ment. In 1890 I was made Ass't Gen'l Passenger Agent of the Chicago & Eastern Illinois Railroad, with headquarters at Chicago. In 1891 I was made General Passenger Agent of that line, and in 1900 I was made General Passenger Agent of the Louisville & Nashville, with headquarters at Louisville, Kentucky, and remained with them until August, 1907, when I took service with the Missouri Pacific Railway Company as Passenger Traffic Manager.

Q. You have heard the testimony of these different witnesses in this case?

A. Yes sir.

8746 Q. What do you say about the period of time before the taking effect of the two cent rate in the state of Missouri, as compared with the inter-state rate, as to what was done by the interstate passengers in riding as state passengers, upon the state rate, and how they did it, and how it affected traffic?

A. Owing to the peculiar conditions that existed in the state of Missouri, namely the terminal on the eastern line of the state, and one on the western, the passengers would of course buy a state ticket—that is, an interstate passenger, for the reason he could save money by it. The rate from St. Louis to Kansas City was $7.50, and that was the rate used in the construction of the rates between the east and the west.

Q. That is to say, that upon every ticket, crossing the state of Missouri, from the east to the west, the $7.50 rate would enter into it as a part of it, whatever the reason for it was, in the rate making that happened?

A. Yes.

Q. And under the two cent rate what did that become?

A. $5.50.

Q. What would the interstate passenger do under those circumstances?

A. The interstate passenger would buy a ticket to St. Louis and purchase a state ticket from St. Louis to Kansas City, and rebuy from Kansas City to his destination, making him a state passenger for us, instead of an interstate.

8747 Q. No system of accounts could be devised so you could tell whether that man was different from what his ticket indicated or not?

A. No sir, there was no way of finding that out.

Q. You have given an illustration of the great terminals on each side of the state?

A. Yes sir.

Q. You have all along your line stations near the same line: did the same thing manifest itself, and was the same practice adopted all along the line?

A. The same practice existed.

Q. Was that done very considerably?

A. I think it was.

Q. What was the final result of this two cent fare as affecting the two cent interstate rate, and compelling the railroad companies to put in a two cent rate?

A. It is an impossibility,—that is a pretty strong word to use, but I think it is about right, to maintain a two cent rate within the state of Missouri, and not reduce your interstate fares. For instance, the reduction in the rate in the state of Missouri reduced the fare from Kansas City to New York, Cincinnati, Philadelphia, Washington, Baltimore, and in fact it made a general reduction, you might say, from the Atlantic to the Pacific Ocean.

Q. How would you answer the question, taking Missouri with its peculiar location, which I am not going into the detail of with you, because other witnesses have described that, but what
8748 would you say, as a matter of fact, as to the fixing of a state passenger rate per mile in Missouri, for the state, having a direct affect upon the inter-state rate?

A. It would help to reduce the inter-state rate, Mr. Hagerman.

Q. You say it does have the direct affect?

A. I know it does. I say it does, yes.

Q. Have you your statement there of the Missouri Pacific Railway showing the amount of revenue for the six months period? I think that is the period of your statement, which you served upon the other side, sometime ago. You have those figures, anyway, have you?

A. Yes sir, I have the figures.

Q. What was your revenue?

A. For the six months ending June 30, 1907, passengers carried one mile, state and interstate $59,355,359, and the total passenger revenue was $1,079,377.01.

Q. You have given the number of passengers per mile, and the amount of revenue?

A. Yes.

Q. How much was that per passenger per mile?

A. 1.82 cents.

Q. What was your return in Missouri for previous like period per passenger per mile?

A. 2.08 cents.

Q. What is the difference?

A. 26 cents.

8749 Q. Applying the passengers per mile, what in dollars and cents did that make the difference upon the Missouri Compensation?

A. On the state business it meant a loss of $111,292.88.

Q. And on the interstate business in the state?

A. $43,031.08.

Q. That is arrived at by multiplying the number of passenger miles by the difference between what you receive per passenger mile?

A. Yes sir. The difference between the rate last year and this year.

Q. Mr. Johnson, the statistician, was called away by a sick child; but you have your figures here in detail for the six months shown by your general statement of your state and interstate business for 1906, up to 1907, and from 1907 up to 1908; but the percentages

are not carried out as we intended to have them in line with Mr. Nay's figures; is that right?

A. Yes sir.

Q. That has been prepared under your supervision and direction, has it?

A. No sir, it was prepared under the supervision of Mr. Johnson.

Mr. HAGERMAN: Probably I would better not use it until Mr. Johnson is here. Then I will put it in in the Missouri Pacific case.

8750 Q. You heard Mr. Nay's testimony, and from your own figures and observations, was there any appreciable increase of travel outside of the normal to any substantial degree, after the passage of the two cent law?

A. No sir, there was not. I think I can tell you a little bit about that, by making an explanation.

Q. Tell it in your own way?

A. On our road, for the year ending June 30, 1907, that is for the entire system, Mr. Hagerman, we showed an increase of passengers carried, of 1,620,000. That was 20%. Now at that time we had a three cent rate in all the eight states through which our company runs its trains. The two cent law became effective in six out of the eight states, in every state we passed through except Louisiana and Colorado. We showed an increase practically of 864,000 passengers for the year ending June 30, 1908, or 9.1% in passengers carried at the two cent rate, as against 20% increase when we had the three cent rate.

Q. In revenue, was there a decrease?

A. We carried on the system 864,000 more passengers, and we showed a loss at the end of the year of $1,025,000. I can give you that exactly, if you want it?

Q. Let us have that?

A. $1,025,730.13, being 10.5% decrease in revenue, with 9.1% increase in passengers carried.

8751 Cross-examination.

By Mr. LADD:

Q. I take it from the very nature of the case, you have not any record or statistics as to the number of persons who were trans-state or inter-state passengers took advantage of the situation to buy a state ticket from you across the state?

A. No, Mr. Ladd, that would be pretty hard to obtain.

Q. Of course that is what I understood. And it is impossible for you, or anybody else, to give us any figures on that from the very nature of it?

A. It would be more of an estimate.

Q. You couldn't tell, if I bought a ticket, whether I was going any further or not, that is, actually. You might know generally, but you wouldn't know, and the Conductor would not know?

A. The conductor might know if the passenger gave him the information.

Q. When you say advantage was taken of that situation, it is impossible for you or anybody else to know the extent of it?

A. To give a correct statement would be pretty hard to do. As I said before, there is no way to ascertain it.

Q. We would all have to guess at it, wouldn't we?

A. Yes.

Q. We may say that some people, in order to save a couple of dollars, might do that, if they knew about it?

8752 A. Yes sir. The fact remains, I want to explain, that at St. Louis and Kansas City depots there was a considerable increase in their traffic, on account of people purchasing these tickets. For instance, a man coming from Atchison, Kansas, going to St. Louis, he wouldn't buy a through ticket to St. Louis. The newspapers had given a great deal of space to the fact that the various states had passed two cent bills, and it was pretty well known all over the country, that a two cent rate was in effect in Missouri, and a man going from Atchison would not buy a through ticket, but would purchase a ticket to Kansas City, and there repurchase a ticket to St. Louis, and save money.

Q. You think he would?

A. I am pretty sure he would.

Q. Perhaps some given man would, but isn't that purely conjecture?

A. No sir, I don't think it is. I can understand that——

Q. You think a good many people would do that. That is all there is to it?

A. Yes, I have seen so much of what they do on railroad trains, that I think any man who had the opportunity to save $2.00 on a trip from Atchison to St. Louis, would save the $2.00. I think I would, and I think you would.

Q. If it were convenient for him to do it, but a man in Chicago, or New York or Pittsburg, might not know anything

8753 about it?

A. I cannot agree with you about that. He might not be so likely to know about it, but if they read the newspapers they would know about it. And if he went into a railroad office the agent would probably tell him to purchase his ticket to St. Louis, and then rebuy. The ticket agent was doing all right, because by giving that information to the passenger, he did not secure the ill will of the passenger for his company.

Q. How much are you charging on your Texas lines?

A. Two cents. We did not get those rates in at that time, because we did not get our interstate rates, what they call "lined up."

Q. Isn't it a fact that the business on the Missouri Pacific Railway in Missouri, Passenger business, suffered materially during that period, on account of the reports made by the state board of railroad and warehouse commissioners, as to the condition of your tracks in Missouri, and their making an order that you should not run to exceed a certain number of miles an hour? Isn't it a fact that did affect your passenger business on your road?

A. I suppose it did, Mr. Ladd, but just how much I cannot say.

Q. Whether it was just or unjust, I am not saying anything about that?

A. Oh, I understand that. But the fact remains, Mr. Ladd,
8754 notwithstanding that, we showed an increase in passengers carried in the state of Missouri, and a decrease in revenue.

Q. How many trains did you run on your main line from Kansas City to St. Louis daily passenger trains, say on the first of June, 1907?

A. We had trains 1, 2, 3, 4, 5, 6, and No. 8. No. 7 at that time was only a mail train. We put a sleeping car on that train about four months ago. Then we had No. 21 and 22.

Q. I think if you would tell us about the trains leaving say Kansas City, I don't mean accurately, but I am speaking of all trains on your main line between Kansas City and St. Louis. Take your through trains first, and leaving Kansas City, what time would the first one leave?

A. 10.10 a. m.

Q. Was that the first one?

A. The local leaves at 6.45.

Q. How far did that go?

A. St. Louis.

Q. All the way through?

A. Yes sir.

Q. You have one at 6.45 in the morning?

A. Yes.

Q. And one at 10.10 in the morning?

A. Yes.

Q. When is the next one?

A. 1.20.

8755 Q. And the next one at 10.15?

A. No sir, the next at 9.15 in the evening.

Q. And the next one?

A. 11.30 p. m.

Q. Were you running that 11.30 train on the first day of June, 1907?

A. No sir, I am mistaken about that. We didn't put that train on until about October, I think.

Q. We will take that train off, then?

A. Yes sir.

Q. You had four trains running east?

A. We had at that time a train leaving at 7.55 in the morning, No. 6, in June.

Q. I think you gave me that?

A. No sir, I gave you the 6.45 a. m.

Q. Did the 7.55 go all the way through?

A. Yes.

Q. You had one at 6.45 and one at 7.55?

A. Yes.

Q. Running all the way through St. Louis?

A. Yes.

Q. Coming west from St. Louis, what trains are there running all the way through to Kansas City?

A. A train leaving St. Louis at 7.15 a. m.; one at 9 a. m. one at 11.45 a. m. and one at 10.10 p. m. We had one at 8.10 p. m. that was the early mail that carried a sleeper and went on

8756 up to St. Joe.

Q. Did that come over the main line?

A. Yes sir.

Q. You had five trains a day each way?

A. Yes.

Q. How many trains have you now?

A. Five each way.

Q. Have you taken off any of those trains?

A. We took off the train leaving St. Louis at 11.45 in the morning, and one leaving Kansas City at 7.55 in the morning.

Q. And what have you put on?

A. Trains leaving Kansas City and St. Louis at 11.30 p. m.

Q. What you call your midnight special, or isn't that your patent?

A. They are always called something. We call ours the St. Louis Special out of here, and the Kansas City Special out of St. Louis.

Q. That is an entirely new train?

A. Yes.

Q. With a number of sleepers on it?

A. Yes.

Q. Running through from Kansas City to St. Louis?

A. Yes, and continues on up to St. Joseph, Mr. Ladd.

Q. So that on the whole your passenger equipment is

8757 a heavier equipment than it was on the first of June, 1907?

A. Yes sir, I think it is.

Q. That is to say, your night train, which is a new train leaving at 11.30 or thereabouts, both here and St. Louis, is a heavier train than those day trains you took off?

A. When we put on the 11.30 train we took a sleeper off the 10.10, and of course the train leaving St. Louis at 11.30 is bound to affect more or less the traffic leaving on the 10.10 because the trains leave so close together.

Q. I am not asking about the number of passengers, but the number of train- between St. Louis and Kansas City, is at least equal to the number of trains on June 1, 1907?

A. Yes.

Q. And perhaps a little heavier. I don't mean any greater number, but in the aggregate the constitution of the train is heavier than it was on the first of June, 1907, more expensive?

A. I don't think there is any more expense attached to it.

8758 Mr. HAGERMAN: I took the responsibility of letting Mr. Johnson, the statistician of the Missouri Pacific Railway Company, go away last night on account of a sick child. And Mr. Steel does not seem to want to take the responsibility——

Mr. LADD: Just introduce the statement.

The COURT: On account of the absence of Mr. Johnson, the statistician of the Missouri Pacific Railway, he having been called away on account of sickness in his family, complainant's exhibit 59 is introduced as though he were personally present and testified to the correctness thereof, it having been checked over by the experts for the state.

Mr. HAGERMAN: Exhibit 59 is a comparative statement for six months by the month, and it not only deals with state but interstate business, and trans-state business. That shows an increase in passengers per mile of 11% and a decrease in revenue of 25%.

Complainant's Exhibit 59 is in the words and figures following, to-wit:

8759 W. B. DODDRIDGE, recalled, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. Mr. Doddridge you were on the stand in the Missouri Pacific Case, and your testimony was offered there, bearing upon the cost of constructing a railroad in Missouri?

A. Yes.

Q. Will you please tell us now—I don't want to go over any subject I have been over before, but I want to ask you a question or two relative to the Frisco road. Can you briefly state to the Court the elements that enter into the value of a railroad.

Mr. LADD: Isn't that all in the Missouri Pacific case? I am not objecting to his testimony, but he was on the stand three or four days, and went into the subject simply exhaustively, I think it was. This is simply to save time.

Mr. HAGERMAN:

Q. I think you have some memoranda summarized there, in a very few words, haven't you, Mr. Doddridge?

A. Yes. The value of a railroad is composed of various elements. Some of the principal ones are as follows:

Mr. LADD: We have had all this.

Mr. HAGERMAN: Let us see if we have. I think we have, but it is just a summary, if we did. I don't want to reopen a matter we have been over.

8760 Mr. LADD: Mr. Doddridge is prepared here, I know him, all he says is very interesting, but we have had that all from his own mouth repeatedly. Without any reflection upon any body, we have had some witnesses that have taken a great deal of time.

Mr. HAGERMAN: We are very anxious to close our side of the case, and they are anxious to get to their side. I don't wish to occupy any unnecessary time, so I will drop this.

Q. You are familiar with the Frisco Road?

A. I am in a general way.

Q. And you are familiar in the way you have testified before, with the value of railway property as a whole?

A. Yes sir, as a whole.
Q. And especially in the state of Missouri?
A. Yes sir.
Q. And that would be true too, in the state of Kansas?
A. Yes sir.
Q. And in Arkansas?
A. Yes, in Arkansas.
Q. Have you examined the detailed statement giving the descriptions of the properties of the Frisco Railroad and all its branches in Missouri, as continued in the proceedings of the State Board of Equalization for 1907, on pages 202 to 241, inclusive ?
A. Yes sir.
8761 Q. That gives the mileage and the location of each one?
A. Yes sir.
Q. The State Board fixing therein an assessment, which by stipulation was estimated to be one third of the value by the State Board. Now I want to have you tell us what in your judgment is the value of the Frisco Road in Missouri?
A. I would say that the value of the Frisco Railroad is not less than three times per mile of road the amount of the assessment as reported by the State Board of Equalization, and the value may be more than that. The value in the aggregate as reported by the State Board of Equalization is $12,085.95 per mile of road, which sum multiplied by three, amounts to $36,257.85 per mile of road, and I will say that I would consider the property worth at least that, and perhaps more.
Q. You have come to that conclusion, and found it unnecessary for the purposes of this case, in the view counsel were taking of this case, to go into any more detailed examination to see how much more?
A. That is true.

Cross-examination.

By Mr. LADD:

Q. What did you say about the valuation placed upon it by the State Board of Equalization?
The COURT: $12,000 per mile?
8762 A. $12,085.95 per mile.
Mr. HAGERMAN: Here it is in the statement we served upon you.
I assume, Mr. Taliaferro, that those figures when divided are correct. Have you checked them up.
Mr. TALIAFERRO: No sir.
Mr. LADD: This estimate of $12,085.95 per mile by the State Board of Equalization, includes the value of the franchise, too, doesn't it?
A. I don't understand that it does.
Q. I understood Mr. Hagerman to say it did?
Mr. HAGERMAN: It includes the value of what they call "all other property."
Mr. LADD: That is the franchise.

The assessment of the State Board, which it is figured up here is $12,085.95, includes their assessment of the value of the franchise.

Mr. HAGERMAN: It is a question of whether the franchise has been covered. It covers what they call all other property.

Mr. LADD: The franchise is in there "whether all other property" means anything additional to the franchise. Of course that may be a question.

Mr. HAGERMAN: The $12,000 a mile includes every thing that the State Board assessed as itemized by it?

8763 A. Yes sir.

Q. And your judgment is, taking that property as a whole, it is worth at least that much?

A. Yes.

The COURT: Multiplied by three?

A. Yes sir.

8764 Now come Complainants and introduce all the evidence taken by any one of the Complainants in the eighteen cases heretofore in part heard by Special Master, F. L. Schofield, and now on file with the clerk of this court.

Thereupon the Complainant rests in the case of the St. Louis & San Francisco Railroad Company vs. H. S. Hadley, et al.

The further hearing in this case is pos-poned until Tuesday morning, December 22, at 9 o'clock a. m.

8765 KANSAS CITY, Mo., *December* 22, 1908.

Met pursuant to adjournment as above on Tuesday, December 22, 1908, at 9 o'clock a. m.

Appearances: Mr. Frank Hagerman appeared in behalf of the Complainant.

Messrs. S. B. Ladd and John Kennish appeared in behalf of the Defendants.

The following proceedings were had:

Mr. HAGERMANN: I desire to offer in evidence all the testimony taken before the Master in the Missouri Pacific and the Burlington cases. I am perfectly familiar with what I put in in the Burlington and Missouri Pacific cases, because I put it in myself. I have not read all of the testimony offered in the Wabash case, and I do not care to offer that in evidence at the present time. If the other side offers it in evidence, then I will determine what parts I desire to offer.

The Complainant, St. Louis & San Francisco Railroad Company here rests.

8766 *Testimony for the Defendants.*

A. T. TALIAFERRO, a witness of lawful age, being duly produced, sworn and examined, on the part of the defendants, testified as follows:

Direct examination.

By S. B. LADD:

Q. Where do you reside?
A. Cleveland, Ohio.
Q. What is your business?
A. I am employed by Haskins & Sells, certified public accountants of New York City. I look after the Cleveland Office.
Q. What is that concern?
A. They are Certified Public Accountants, with offices in New York, Chicago, Pittsburg, Cleveland, St. Louis, and London, England. The firm was organized in 1894.
Q. Their headquarters are in New York?
A. Yes sir.
Q. How long have you yourself been connected with them?
A. Off and on for ten years.
Q. When did you say they were organized?
A. 1894.
Q. How long have you been connected with them?
A. My first service was ten years ago. This time I have been with them a little over three years.
Q. How long were you with them before?
A. Actively about three years; but they have always considered that I was more or less in their employ during the whole ten
8767 years.
Q. You say they are chartered Accountants? What is the nature of their business, and in point of business, if you will, mention some illustrations of the character of business they are engaged in?
A. Mr. Haskins and Mr. Sells were employed by the Government to revise the accounts of the Treasury Department, in 1893-94, under what was known as the Dockery Commission. Then they formed a partnership and began practice in New York.
Our work includes audits, special examinations, putting in systems and cross systems.
Q. What did they do for the Government at that time?
A. They revised the Accounts of the Treasury Department, and put in a new system there. Afterwards we had an engagement in Cuba to investigate the accounts there while General Wood was in charge.
Q. How long did that work in Cuba continue, how much time did it consume?
A. I am not sure, but I think it was about a year or more.
Q. That was since the Spanish war?
A. Yes sir. Mr. Ludlam had charge of that.

Q. Who is Mr. Ludlam?

A. Mr. Ludlam is now a member of the firm of Haskins & Sells.

Q. Mr. Ludlam has been a witness in the Missouri Pacific, Burlington or Wabash cases, one of them, and has given his testimony?

A. Yes sir, in both the Burlington and Missouri Pacific
8768 cases, as I recall it.

Q. Do you recall any other Government work that has been done by that firm?

A. Nothing up to the present time. We have an engagement to revise the accounts in the Philippines, at the present time. Mr. Sells is over there now.

Q. He is there now?

A. Yes sir.

Q. Has the firm of Haskins & Sells done any work for the state of Missouri, before this present engagement?

A. Yes, sir, about five years ago, they did quite a little work at Jefferson City. I think it was in connection with the bond assessment of the state, but I am not familiar with it.

Q. Governor Dockery was Governor at that time, or do you remember?

A. I do not know about that.

Q. I do not want to go into any great amount of it, but what important municipal work has your firm done? I will call your attention to Chicago?

A. Our people put in a new system in the City of Chicago, and also went back into the tax records, for a period of about 30 years. I have no personal acquaintance with that work.

Q. Do you know how long it took?

A. I think about two years.

Q. Your firm was employed by the municipal authorities at Chicago for that purpose?

8769 A. Yes sir.

Q. What railroad work, if any, has your firm done?

A. We make a number of railroad audits regularly.

Q. How often?

A. Some of them every three months, some every six months and some annually.

Q. For what railroads?

A. I think I might mention a few who publish our certificates. I could not go into that in detail, because our work——

Q. There is some work which you do not feel at liberty to mention for confidential reasons, but of those that are matters of public knowledge, you may mention a few?

A. The Louisville & Nashville, The Queen & Crescent, the Atlantic Coast Railway, The Reading Railway, and the Lehigh Valley Railway. I have those in mind. We make annual audits for those roads. We have recently put in a system for the Lehigh Valley Railroad.

Q. A system of Accounting?

A. Yes sir.

Q. You may state what you yourself personally have been engaged in since you began work of any serious kind?

A. My first railroad experience was in 1886. I spent six months in the Norfolk & Western Railroad shops in Roanoke, Va.

Q. In what capacity?

8770 A. Helper in the shops. Then I went into the Master Mechanic's office as Messenger boy. Then into the office of the Superintendent of Motive Power. I was clerk in the storekeeper's office for some months, and then went back to the office of Superintendent of Motive Power, and was his stenographer, and for a time acting Chief Clerk. In all I spent about five years in the Motive Power department.

Q. Was that all the time with the Norfolk & Western Railroad?

A. No sir. Then I went with the Vice President in charge of Traffic, as his private secretary. I went around the country with him, attending the Traffic meetings, and then went with him to Philadelphia when he went with the Reading Railroad, and I spent a year there. I then went back to the Norfolk & Western.

Q. In Philadelphia you say you spent a year; in what capacity?

A. In the traffic Department.

Q. Under the Vice-President?

A. No sir, under the General Freight Agent there.

Q. This man you went to Philadelphia with?

A. He staid only a few months.

Q. You began with the Norfolk & Western?

A. Yes sir.

Q. And you went up to the Reading Railroad with him?

A. Yes sir, and he stayed only a few months, but I stayed

8771 on for a year.

Q. You spoke of attending traffic meetings with him. What do mean by that? Meetings of Traffic Managers of different roads?

A. Yes sir, and of the Presidents and all officials interested in the traffic.

Q. You attended those meetings?

A. Yes sir. Of course I only went along as Secretary to the Vice President, but I always sat in the meetings and listened to their discussions.

Q. There were quite a number of them, were there?

A. Yes sir, quite a number, and all around the country.

Q. When did you leave Philadelphia, about what time?

A. In February, 1894. I went back to the Norfolk & Western and there I was a rate clerk, dealing with freight rates, quoting rates, making up tariffs, and so on.

Then I went to a little road in Virginia, the Chesapeake & Western in Northern Virginia.

Q. How long was that road?

A. 27 miles.

Q. Where did that start, and where did it end?

A. It connected with the Norfolk & Western at Elkton, Va., and

with the Southern Railroad, and with the Baltimore & Ohio at Harrisonburg, Va., and then went 77 miles further west.

Q. Was that an independent organization?

A. Yes sir.

8772 Q. You say it was 27 miles long?

A. Yes sir.

Q. What position were you filling there?

A. I staid there about four years. The last two years I was superintendent of the road.

Q. You were there four years: That brings you down to when.

A. February, 1901.

Q. Then what did you do?

A. Then I went to Southwest Virginia, to the Virginia & Carolina Railway as General Superintendent. It was just a little road.

Q. That was a small road?

A. Yes sir, I had that position on that road and another one called the Beaver Dam.

Q. What was the average length of those two roads?

A. Including their logging mileage, about 30 odd miles.

Q. How long were you with them?

A. About one year?

Q. Then what did you do?

A. I went to New York to take charge of the accounts of the Houston Oil Company of Texas.

Q. How long were you engaged in that work?

A. I stayed in New York until October, then went to Texas as Auditor of the Company, and remained there a little over two years, nearly three years, I should say. I returned to Haskins &

8773 Sells in December, 1905.

Q. And you have been with them ever since?

A. Yes sir.

Q. In addition to the particular items of work that you have mentioned, which Haskins & Sells do regularly, or have done at times, do they also audit the accounts of Industrial Companies?

A. Yes sir, quite a number.

Q. Of Street Railroads, Electric Companies and all that sort of business?

A. I might say every kind of business.

Q. You may state generally whether their business for the kind of business they are engaged in, may be regarded as a pretty extensive one?

A. I think it may be so considered, yes.

Q. Were they employed by the state of Missouri to assist in this litigation?

A. Yes sir.

Q. When did that employment begin?

A. I was put in charge of the work, and reached St. Louis on June 18, 1906.

Q. Where were you living at that time?

A. In New York.

Q. You were sent to St. Louis to take charge of that work?

A. Yes sir.

8774 Q. Did you bring your family with you?

A. Yes sir.

Q. Have you attended all the hearings, the various hearings which have been had since this litigation began?

A. I do not think I have missed any of them.

Mr. HAGERMAN: You mean when testimony was taken?

Mr. LADD: Yes, I mean from the time we began to taken testimony before the Master, Mr. Schofield?

A. Yes sir.

Q. You have heard all the testimony, have you?

A. Yes sir.

Q. After you came to St. Louis to look into the accounts, and render what assistance you could, did you have some helpers?

A. Yes, from one to ten, I should say, as the work required.

Q. From one to ten helpers?

A. Yes.

Q. How long a time were you engaged upon this work, from first to last?

A. I was on the work for 13 months continuously.

Q. Doing nothing else?

A. Nothing else. Then I went to Cleveland, and since that time I have only been connected with it from time to time, as some new features of the case needed attention.

Q. Have you during this time Mr. Taliaferro, given considerable study to the testimony, have you read over a great part of it?

8775 A. Yes sir.

Q. And the exhibits which have been introduced in evidence from time to time, have you scrutinized them?

A. Yes sir.

Q. Has Mr. Hamilton here been one of your assistants?

A. Yes sir. Part of the time he has had charge of the work. He had charge under the St. Louis Manager of the work of checking the statements that the railroad companies submitted about six or eight months ago, or something like that.

Q. Have the various investigations, as to the movement of trains, the character of freight, the passenger business of the road, the different kinds of freight carried, state and interstate, the relative quantities of which the revenue derived from the carriage of freight in this state, so far as they have been indicated at all, have all these things been under your supervision and eye constantly?

A. I have been acquainted with what was done. I have not actually engaged in all of the work.

Q. But it has been done under your supervision and general direction, has it?

A. Yes.

Q. I will ask you if you know if your experience which you have detailed, has made you familiar with the general system of railroad accounting?

A. I think so.

8776 Q. You may state generally, since the employment of your firm by the state, what you have done. I do not mean

the details, but just state generally, first what has been done by your people in these matters, in order to inform yourselves and get at the facts as far as you could?

A. Outside of checking the statements submitted by the railroad companies, we have made some special investigations.

We made up a statement covering all freight handled in Missouri on the Missouri Pacific Railway during the month of October, 1905, and divided it between state and interstate, and carload and less-than-carload. We worked out the number of tons, the revenue per ton, the ton miles, the revenue per ton mile, and the average haul on each class of freight.

We did the same thing in the Burlington, for the month of September, 1906, with this difference, that the Missouri Pacific work was done entirely by our own people, and in the Burlington office Mr. Hamilton was there in charge, but the work was done by Burlington employés.

Mr. HAGERMAN:

Q. Under his supervision?

A. Yes sir, under his supervision.

Mr. HAGERMAN: There is no special point about that, but it might be misunderstood; that arrangement was between yourself and Mr. Hamilton, and Mr. Sturgis the Auditor of the Burlington, so as to cause the least inconvenience to the Burlington, and it was some expense to the Burlington?

A. Yes sir, and it saved the state quite a little money and
8777 was satisfactory all around.

Q. The idea was that you wanted to do it without any interruption of business?

A. Yes sir, that was the idea.

Mr. LADD: In your investigations have you gone into the Auditor's offices of the different railroad companies your have investigated?

A. Yes sir. My work has been largely in the Auditor's offices.

Q. What have you examined generally speaking in those offices?

A. Of course we could not go over all the details, but would have to satisfy ourselves of the correctness of the methods used, by testing the figures in various ways, and going into every phase of the earnings and expenses, and their division between state and interstate, so fas as the earnings are concerned.

Q. To that end have you examined the way bills and the conductors' reports, and things of that sort?

A. Some of them, yes. We have gone into any and everything that we thought might help us to show the facts.

Q. So far as you could?

A. Yes sir, so far as we were able in the time at our disposal.

Q. Have you arrived at any conclusion, Mr. Taliaferro,
8778 from your own knowledge, or information that you have gained from the testimony that has been given in the cases, or from your own investigations and those of your assistants, as to

the relative cost per passenger mile of doing state and interstate business in the state of Missouri?

Mr. HAGERMAN: Passenger business you mean?

Mr. LADD: Yes, passenger business.

A. Yes sir.

Q. Is it possible for any one to determine accurately the average cost per passenger mile of carrying interstate passengers and state passengers, separately?

Mr. HAGERMAN: If your Honor please I want to record an objection to this testimony on the ground that this witness is not qualified or competent to pass upon the question, and that the very question propounded shows that he is making up his mind from this testimony heretofore given in the case.

The COURT: The evidence will be received subject to the objection.

Mr. HAGERMAN: And is it understood that my objection goes to the witness expressing an opinion on that subject, without my repeating the objection each time?

The COURT: Yes.

Mr. LADD: You have formed an estimate?

A. Yes.

Q. What is it?

8779 A. I found a good deal more difficulty in forming an estimate——

Mr. HAGERMAN: Will you please answer that first question, Mr. Taliaferro?

Mr. LADD: I asked you if it could be arrived at accurately?

A. I don't think it could.

Q. Proceed.

A. I think it is more difficult to arrive at the relative cost of state and interstate passenger business, than of state and interstate freight business; but I believe it costs somewhat less per passenger mile to do state business than interstate.

The COURT: You are speaking of passenger business now?

A. Yes sir.

Mr. LADD: Give your reasons for it?

A. In arriving at any conclusion at all I must have in mind the five general sub-divisions of the operating expenses.

Maintenance of way and structures covers the keeping up of the track and the buildings. But the maintenance of buildings is a very small part of the total cost of maintaining way and structures. I think that a considerable part of the interstate or long haul passengers, is handled in sleeping cars, and my impression is that

8780 there are fewer passengers in the sleeping cars than in the day coaches.

The COURT: What is that?

A. There are fewer passengers in the sleeping cars than in the day coaches, and as no passengers could get the use of a track unless they were in a car, such passengers as may use the sleeping cars get very much more use of the track than those who ride in coaches.

With that main explanation I will say that I think it costs very much less to maintain the way and structures per passenger mile on the state business than on the inter-state.

When it comes to the next general heading, maintenance of equipment, I think the reverse would be true, because the company does not have to maintain these Pullman cars.

The COURT: The state passengers contribute more to the expense of equipment?

A. Yes, that is my idea about it.

Mr. LADD: Proceed, Mr. Taliaferro.

A. Traffic expenses come next, and while they are a small part of the whole, I think it is fair to assume that practically all of those expenses, supervision of traffic, advertising and so on, are for the competitive or long haul business. That is more apt to be interstate than state business.

Q. Then as to the traffic expenses the larger proportion relatively in your opinion is a burden, or should be, upon the interstate traffic?

8781 Q. Why?

A. Because I think that most of the time of the traffic people is given to the arranging of through tariffs, and securing competitive business. The traffic officials spend a great deal of time at meetings all over the country, fixing rates. I do not think they would do that for the purpose of fixing rates on their own line. Not that there is not some state business that is competitive too; of course there is. But generally speaking, that is for the purpose of securing what must be, by reason of the long haul, interstate business.

Q. Go to transportation expenses now, conducting transportation, it is sometimes called?

A. The main items under that head are station service, yard service, and train service; not in separate accounts, but in the arrangement of the accounts under that head. As to the balance of the transportation expense, miscellaneous transportation expense, superintendence, etc., I think they would largely follow the traffic. In other words the time of everybody connected with the road is largely given to the securing of, expediting, and arranging for the competitive business. That is their first consideration, and so I think the miscellaneous transportation expenses would be more like the traffic expenses.

Q. When you speak of miscellaneous transportation expenses, what do your exclude from the category of miscellaneous?

8782 A. I exclude what would come under the head of station, yard, train and engine service.

Q. Station, yard, train and engine service?

A. Yes sir.

Q. All the other services, and all the other expenses under the head of "transportation expenses" you think are more largely due to the interstate than to the state traffic: is that it?

A. That is my idea.

Q. Take up those four items, I think there are four, which are

excluded from what you have designated as the miscellaneous portion of the transportation expenses: what were they? Take them up one by one. What is the first one?

A. Station expenses.

Q. What are they?

A. Agents, operators, helpers around the station, station supplies, etc.

Q. In station expenses you do not include engines swit-hing at a station. That comes somewhere else?

A. Yes sir, that is under yard expenses.

Q. Under station expenses you have mentioned the principal items already, haven't you?

A. I think so.

Q. Do you think that any larger than its relative proportion of those expenses should be charged to the state traffic than to the interstate?

8783 A. You mean on a passenger mile basis?

Q. On any kind of a basis. Take all the bases you like?

A. I haven't but one, and that is the passenger mile, and I do think that the expense would be higher per passenger mile on state than interstate traffic, because the average haul is shorter.

Q. How much higher?

A. The average haul is about one-third of the average haul of the interstate passenger. If we base the expense on the distances, that would make the state passenger cost three times as much per passenger mile for station expenses, as the interstate passenger. But I think it is hardly that much. There are a good many passengers who get on and off the trains where there are no stations at all, and particularly in the case of the Frisco Railroad, there is a large suburban service at St. Louis. We have no exact figures, but the best information I can get indicates that probably 20% of all the passengers handled by the Frisco Railroad are handled in that suburban service—not passenger miles, but passengers.

Now I think the station service on that class of travel is certainly very small. Those people have no baggage, they buy a ticket once every five days or thirty days, or something of that sort. They go straight into the trains, and straight home, when they get home. For that reason, and the reason that certain passengers get on and off the trains where there are no stations at all, I believe the

8784 station cost is something less than three times as much per passenger mile on state as it is on inter-state traffic.

Q. Proceed?

A. Coming to the yard expenses, which cover generally the making up and breaking up of trains——

Q. Before you begin that, you have now dealt with station expenses?

A. Yes.

Q. That includes the keeping up on the buildings?

A. No sir.

Q. It does not.

A. No sir, only the service at the station, the station employés, supplies, and things of that sort.

Q. No engine service or engine men or train men, or anything of that sort included in that?

A. No sir, and no maintenance.

Q. Now what proportion of the total expenses of the passenger traffic, is this station service? Is it a small or a large part?

A. I have here the figures for all the roads combined, the roads whose statements we checked recently.

Q. What roads are those?

A. The Frisco, the Santa Fe, the St. Louis Southwestern, the Kansas City Southern, the Burlington, the Missouri Pacific and the Rock Island.

We combined the operating expenses of those roads for the periods covered by their statements, merely to see what relation
8785 the different classes of expenses bore to the total. In that I find that the station service is 8.1% of the total operating expenses.

Q. Passenger?

A. No sir, that applies to all.

Q. You mean——

A. I will have to take that back. That applies to freight alone.

Mr. HAGERMAN: It is not far from seven or eight per cent?

A. I think so, something less than 10%.

Mr. LADD:

Q. Do you mean to say that the whole station expense is 7% or 8% or whatever it is, but in that neighborhood, of the whole expenses?

A. Yes sir.

The COURT: For freight?

Mr. HAGERMAN: He was giving the figures as to freight, and I asked him if we could not assume that it was something like 7% or 8%.

The COURT: For both passenger and freight?

Mr. LADD: Answer that the best way you can?

A. In the passenger business for the Frisco Road, it was only about 4%, $41,000 as to $965,000.

Q. Passenger expenses is this?

A. Yes.

8786 Q. The station expense connected with the passenger service on the Frisco Railroad, is about 4% of the total passenger expenses?

A. Yes sir, the total passenger operating expenses.

Q. That is what I want to get at. 4% of the whole?

A. Yes.

Q. Take your next item of transportation expenses?

A. Yard service.

Q. What is included in yard service?

A. The yard service includes the engineers' and firemen's wages,

fuel, engine supplies, etc., and covers the cost of breaking up and making up trains in the terminal yards.

The COURT: You mean the switch engines?

A. Yes.

Mr. LADD:

Q. What do you say as to the expense connected with state passenger traffic on that account, as compared with that of the interstate passenger traffic?

A. I think it is more per passenger mile on the state business than on the interstate business, but I do not think it is in proportion to the length of the haul.

Q. Just state why you think it is more on the state than the interstate on the yard expenses?

A. Because the average haul of state passenger is shorter than the average haul of the interstate passenger. But the making up of the trains includes the shifting of sleeping cars and dining cars,
8787 which are a large part of the equipment of some trains, and I think the state passengers get comparatively little use of those cars. Therefore I do not think the state passenger should be charged with nearly so much of that part of the expenses as the average haul might indicate.

Q. What would be the proportion, as near as you can arrived at it, in your judgment?

A. It might be twice as much on the state passenger as on the interstate, but I think that is high.

Q. That is per passenger mile?

A. Yes sir.

Q. Those are yard expenses, is that right?

A. Yes.

Q. What proportion do the passenger yard expenses bear to the total passenger operating expenses?

A. On the Frisco for the three months ending September 30, 1907, they were almost exactly 10%.

Q. What is the next?

A. Train service and engine service. I would put those together.

Q. Train service and engine service: do you mean by that the service of the engine that hauls the train on the road?

A. Yes sir.

Q. In your yard expenses have you included what has been very often spoken of here as "terminal expenses"?

A. That is a part of the terminal expense.

8788 Q. Terminal expenses include both station and yard service.

—. ——.

Q. Station and yard service?

A. Yes.

Q. So between the two, the station service and the yard service, in the two what is called terminal expense is embraced is it.

A. Yes sir.

Q. And the whole of the terminal expenses?

A. Well, I don't know. People's ideas might differ as to what

the terminal expenses include. But I think that is practically all. Some persons might include a proportion of the maintenance of the track and the equipment used in the terminals.

Q. Go on to the third subdivision, train and engine service?

A. Yes.

Q. Those are two separate sub-divisions, are they, in the way the accounts are kept?

A. Well, I believe most of the roads summarize their expenses under those two general heads, but there may be a dozen sub-divisions under each of those.

Q. You propose to deal with them together, train and engine service? You summarize them under those two heads?

A. Yes sir, I couldn't separate them. My conclusion on that is that it is less on the state passenger than on the interstate.

8789 Q. Per passenger mile?

A. Yes.

Q. For train and engine service?

A. Yes.

Q. By that you mean all the expense connected with the hauling of the train over the road after it is made up and got started?

A. Yes sir.

Q. Give your reasons?

A. I am aware that some of the purely local trains carry comparatively few passengers. My impression is that on the average there are more passengers in the local train than in the through train. I would not compare a small local train with a great big through passenger train with trans-continental service, or something of that sort, but I do think that certainly if the through trains were not open to what is known as local or state passengers, and that the state passengers were required to ride on the local trains, then the cost of the state passenger for train and engine service would be very much less per passenger mile than the cost of the interstate passenger.

Of course when the through trains are open at various points and the state passengers are allowed to use them, they will use them, and that leaves few people to use the local trains that make all the stops.

8790 But it would certainly be practicable, so far as seating room is concerned, I should say in most cases to handle the state passengers on the local trains. And in that connection I have in mind the Santa Fe test covering two periods of about one week each.

Q. Before we get to that. You have heard the testimony here, and there has been quite a little of it, that the wages of the crew on the local passenger train are higher than they are on the through passenger train: you have heard that testimony, haven't you?

A. Yes sir.

Q. Do you take that into consideration?

A. Yes. This is on the passenger mile basis. It all depends upon the number of the people in the car. The expenses of the train may be very high, but if there are two or three times as many people, of course the expense per passenger mile would be reduced.

Q. These estimates or figures that have been produced here, are generally I think on the train mile basis?

A. They cover both. The Santa Fe test was on the train miles, and works it down to the cost per passenger

Q. There has been testimony also as to the relative cost of fuel on the through and local trains?

A. Yes sir.

Q. You have heard that testimony?

A. Yes sir.

Q. You have taken that into consideration?

A. That does not go to the number of passengers handled
8791 at all. That relates merely to the gross weight of the cars handled. Of course if you take a ten car train, and all the cars averaging much heavier than the cars in the four car train, and spread the cost of the fuel over the weight of those cars, you will find a much lower cost per ton mile for hauling the ten cars than for the four cars. But I do not see that that relates at all to the passenger mile, or to the cost per passenger mile, because those ten cars may not contain any more passengers than the four cars, and might contain fewer.

Q. Mr. Peabody, who I think is the Auditor of the Santa Fe road, produced an exhibit No. 39: have you that before you?

A. Yes sir.

Q. Have you tried to analyze that Mr. Taliaferro?

A. I made some comments on it.

Q. Exhibit 39 introduced in connection with the testimony of Mr. Peabody, purports to show the result of an actual check on all passenger trains on the main line of the Santa Fe for a certain period covering 8 or 9 days in November, 1908?

A. It says all passenger trains on the main line.

Q. How many through trains were involved in that?

A. Mr. Peabody testified there were five in each direction. The exhibit does not show.

Q. How many local trains?

A. One in each direction.

Q. The through trains run from one to ten, and the local trains were 11 and 12?

8792 A. The locals were 19 and 20 I think.

Q. Yes, 19 and 20 were the locals.

He ascertains in this statement, from their annual reports I think, for the system, that the average cost per passenger train per mile is $1.048: that is right, isn't it?

A. Yes.

Q. That is the starting point of expense?

A. Yes sir.

Q. The passenger train per mile?

A. Yes sir.

Q. And in that, in his statement, he charges a local passenger train with the same expense per mile that he does the through passenger train: is that correct? Is that the way you understand it?

A. Yes.

Q. $1.048?
A. Yes sir.
Q. Then he ascertains by a system of percentages, which results in excluding the mail and express, that the passenger proportion of the passenger train expenses per mile is 68 cents and a fraction, nearly 69 cents; is that right?
A. Yes.
Q. That is, that 68 or 69 cents a mile should be charged to the passenger traffic, after excluding the mail, express and extra baggage: that is right, isn't it?
A. Yes.
8793 Q. And he charges that 68 or 69 cents to both the through and the local trains equally, independent of their length: is that right?
A. Yes sir.
Q. Then he ascertains the number of interstate passengers on the through trains, and state passengers on these through trains, and the same classes of passengers on the local trains, and the final result in his summary is that the cost on the through trains per passenger mile is one cent and nearly six mills is 1.591 cents: that is right, isn't it?
A. Yes.
Q. And that the cost of the state passenger is 2.36 cents per passenger mile, or 48.33% more than the cost of the interstate passenger per mile. That is the final result he reaches, isn't it?
A. Yes.
Q. Now what comments have you to make upon that statement, after you have examined it?
A. I started out with the idea that the cost of the trains was fixed: that each one of those trains would have cost as much as it did whether it carried a few passengers or a great many. There is some doubt in my mind as to whether that is fair to the local train?
Q. Have you prepared your comments on that in writing?
A. Yes sir.
8794 Mr. LADD: I will offer that paper in evidence.
The paper referred to is marked Defendant's Exhibit No. 60.
Defendant's Exhibit No. 60 is in the words and figures following to-wit:
8795 *A.* I want you to make your comments on this, not necessarily adhering in language to the terms of this statement, but just be full, so the court and everybody will understand just what your analysis of it is?
A. The through trains handled 101952 state passenger miles or nearly $\frac{3}{4}$ of all the passenger miles made by the through and local trains. If all the state passengers had been handled on the local train, the total cost of the train would have been the same, but the cost per passenger mile would be only 1.559 cents. I have stated there is no reason why——

Q. Now wait a minute. According to Mr. Peabody's statement, the total cost of the local train was $2493.89 wasn't it?

A. Yes.

Q. And that is divided into 3618 local train miles?

A. Yes.

Q. Making how much per train mile?

A. A cost of 68.93 cents.

Q. He charges the local train miles with 68.93 cents, and he charges the through train miles with exactly the same sum, doesn't he?

A. Yes, the same rate.

Q. That is how the figures $2493.89 are arrived at, by multiplying the 3618 local train miles by 68.93 cents, isn't it?

A. Yes.

Q. Now you say if the state passengers had been handled
8796 on the local trains, the cost of these local trains would not have been changed, would have been the same as before, but would have resulted in said state passenger mile costing only 1.559 cents?

A. Yes.

Q. Could those local trains have carried all the state passengers?

A. I think there is no question but that there would have been plenty of room for them.

Q. State your reason?

A. Because if we take the total passenger miles and divide them by the local train miles, we find that the average number of passengers per train mile was 44. The local trains are made up of one combination car, baggage and express, one coach and two chair cars, according to Mr. Peabody's testimony.

Q. Four cars only?

A. Yes. Now those cars probably had seating capacity for 200 people, may be more; and I have assumed at any rate in this, that there would not have been more people on the train at any one time than could have been accommodated comfortably.

Q. Suppose all the state passengers, both those carried on the through trains and those carried on the local trains, would have been put on the local train, what would have been the average passenger for each local train?

A. 44 for each mile.

Q. And there were four cars to hold them, or 3½ cars.
8797 Your idea is that there is room on all those local cars to carry the state pasengers?

A. I have assumed that in this paper.

Q. So that the expense of the local train mile would not have been any greater if all those local passengers or state passengers had been put into that local train. Is that right?

A. I do not see why it should have been.

Q. The cars were there ready to receive them?

A. Yes sir, and the train stopped at every station.

Q. Proceed.

A. I have stated here that the through trains are run for the inter-

state passengers, and I do that because the testimony shows that they go to the Coast and to Texas, and to various points in the far West, and I have taken it for granted that there would not be any trains made up in Chicago, or run through from Chicago, for the benefit of people traveling between two points in Missouri. All these trains run to or from Chicago.

In the first example I have assumed that the interstate passengers who use the local trains, might have used the through trains, but I do not think that is proper because the through trains would then have been required to stop to take them on or let them off; but I did that to see what the result would be. I found that the cost per passenger mile on that basis on the through trains would be 1.769 cents. I went further and assumed that all the interstate pas-
8798 sengers who did ride on the local trains would have had to be carried on those trains, that it would not have been practicable to put them on the through trains. On that basis the cost per passenger mile on the through trains, taking off what are known as the interstate passengers starting or stopping in the state, would have been 1.790 cents per passenger mile. If we put these passengers on the local trains, they bring down the cost per passenger mile on the local train to 1.479 cents. The relation of the state and interstate costs are expressed here in percentages.

Q. What would be the relation of the state cost per passenger mile to the interstate?

A. On the first basis, leaving all the interstate passengers on the through train, the through train passenger mile cost would be 1.769 cents, which is 2.1 mills more than the 1.559 cents that the local passenger mile cost, and 1.559 cents is only 88.12% of 1.769 cents.

Now leaving the interstate passengers on the local trains, and allowing them to help bring down the cost of the state passengers on the local trains, would result in a difference in cost in favor of the state passengers per passenger mile of 3.11 mills, making the passenger mile cost only 82.62 per cent of the interstate.

Q. So that if all the local passengers had been carried on the local trains instead of a very large part of them being carried on these through trains, the longer trains, the expense of the local
8799 passenger per mile would be less than the interstate passenger per mile: is that right?

A. Yes sir.

Q. Now does that arise in part from the fact that in Mr. Peabody's statement he charges the expense of a short local train of three or four cars, the same as a through train of ten or 12 cars? Does it result in part from that?

A. Not in this calculation. This results entirely from taking the state passengers off the through trains, and putting them on the local trains.

Q. I understand. But you take his figures, do you, which do charge the local train the same expense per train mile that he charges to the through train?

A. Yes sir.

Q. You start with his own figures on that basis?

A. Yes sir.

Mr. HAGERMAN: But he separates them into through and local trains, and says if the local passengers all rode on the local trains, and the through passengers all rode on the through trains, the result would be what he says.

Isn't that correct, Mr. Taliaferro?

A. Yes, that is the theory upon which the paper is prepared.

Mr. LADD: Mr. Peabody's result then, is arrived at by charging the same expense of handling to a short local train, that he
8800 does to a long through train, and then depriving the local trains of the passengers who might ride on them, bringing up the rate per passenger mile in that way, by carrying a small number of local passengers on the local trains, as against a large number on the through trains: is that it?

A. That is the result, if those state passengers were required to use the local trains, and were not permitted to use the through trains. Then the passenger mile cost would be less on the state passenger than on the interstate.

A. And it would not require any further or greater expense because the train is already there, with sufficient capacity and adequate to take care of the passengers: is that right?

A. That is my idea about it.

The COURT: Let me see if I understand that?

Is Mr. Peabody correct in his calculations when he says that many passengers do ride 25 or 50 miles, from county seat to county seat, or from Kansas City to Carrollton, or whatever other important town there is out here? Is he correct in his calculations?

A. We have only the exhibits to go by.

Q. Assuming them to be correct?

A. Yes sir.

Mr. HAGERMAN: You mean is he correct in that statement that the state passengers ride upon the interstate trains from county seat to county seat?

A. Yes sir.

8801 The COURT:

Q. To reach your conclusions would you forbid the passengers from riding from county seat to county seat, and from Kansas City to Carrollton, or something like that, and make them wait for the next local train. Is that a fair statement of your proposition or not?

A. Yes sir, it is worked out on that line.

Q. Then you separate the question of cost from the question of service, do you?

A. Yes sir.

Mr. HAGERMAN: As I understand, Mr. Taliaferro, the theory of your statement is, that all the state passengers would ride upon the local trains, and all the interstate passengers would ride upon the through trains—neither get upon the other?

A. Yes sir. I have assumed that the interstate passengers the

small number who use the local trains, however, would have had to use those trains anyhow.

A. I was merely trying to see if I understood your theory.

The COURT: I think I understand when he says he separates the question of service to the public as distinguished from the cost.

Mr. LADD: He says all the interstate passengers could not ride on the through trains, because an interstate passenger might want to stop at a place where the through train does not stop.

8802 Mr. SPENCER: It goes to the manner of operating instead of to the actual facts.

Mr. LADD:

Q. Exhibit 60 is simply your comment on exhibit 39, which was introduced in evidence in connection with the testimony of Mr. Peabody?

A. Yes sir.

Mr. HAGERMAN: Does that include Exhibit 40?

Mr. LADD: I think Exhibit 40 was for another period?

A. We did not work out all the figures for Exhibit 40.

Mr. HAGERMAN:

Q. You worked them out for Exhibit 39, but Exhibit 40 being for simply a different period, your comments answer for Exhibit 40 also?

A. Yes sir. And I would also explain that we compared some of the figures on Exhibit 40, and they would be a little more favorable to the state passengers than is the case with Exhibit 39.

Q. But you did not carry out the calculations?

A. Not all the way through, no sir.

Q. That is what I gathered from your statement.

A. That is correct.

The COURT:

Q. But what you said of Exhibit 39 would hold good as to Exhibit 40?

A. Yes sir.

Mr. LADD: Under subdivision 5 of transportation expenses,

8803 what do you call miscellaneous expenses?

A. Superintendence, stationery and printing, and various and sundry small items.

Q. I have forgotten whether you have stated your figure as to the relative cost per passenger mile, state and interstate, of which you denominated as the train and engine service, that is moving the passenger over the road?

A. On theoretical operation I think it would be much less. Actually I don't know how it would be; it may be more.

Q. What part,—it has been said here (I referred to it a few moments ago) that the wages of the train men are greater on the local trains than on the through trains. When you say theoretically it is less, and actually it may be more, what do you mean by that?

A. I mean, Mr. Ladd, the kind of service that the passenger gets. The service that the state passenger gets, generally speaking,

as compared with the through passenger. It seems to me that when you see the coaches half full to full of people, and four or five people on the sleeping cars, and I have counted them on the trains more or less myself, it is hard to believe that the state passenger can cost as much per passenger mile for running that train as the interstate. That is as far as I can go on that point. I do not know, of course, what it costs. It is just a general conclusion from watching the service, being on the trains, and seeing what use is made of them.

8804 Q. Mr. Taliaferro, is there anything else in the transportation expense that you would like to comment on?

A. I think not. There is another general heading "general expenses."

Q. Now the next sub-division is general expenses?

A. The general expenses include the salaries of the general officers, the general office clerks, those are the main items. Now I think they will be very much less per passenger mile on the state than on the interstate.

The COURT:

Q. Less on the state?

A. Yes sir, because of the efforts that are put forth to secure and handle the competitive business as compared with that which does not have to be secured, and which can be handled as the railroad sees fit, rather than as competition requires.

Mr. LADD:

Q. That is the last of the five general sub-divisions?

A. Yes sir.

Q. What would you say, Mr. Taliaferro, about the terminal expense connected with the state passenger, as compared with the interstate passenger? I mean by interstate passenger now a passenger that either starts from or arrives in this state as his destination.

A. I think that in most cases, a passenger whether he starts in this state, or starts outside the state, gets almost the same

8805 terminal service. Almost all of it is at one end. Of course people who travel a short distance on the average do not usually carry any baggage. They get off the train and walk out of the station. They never go into the station at all, but except as to the difference in haul I would not make any difference on the terminal expenses, that is, there are fewer passenger miles for each passenger over which to spread the terminal expense. But I would not add more to the state passenger on that account than the difference in haul would indicate.

Q. To go back and summarize: take maintenance of way and structures, everything combined under that general sub-division, do you think that the state passenger mile should be charged more or less than the interstate passenger mile?

A. Yes.

The COURT:

Q. The state less than the interstate?
A. Yes.
Q. You mean on the whole proposition?
A. Just maintenance of way and structures.

The COURT: Didn't he state that before, Mr. Ladd?
Mr. LADD: Yes sir. I am just summarizing.

Q. What do you say about maintenance of equipment?
A. More on the state than on the inter-state.
Q. As a whole?
A. Per passenger mile.
Q. And on traffic expenses, less for the state?
A. Yes, very much less on the state than on the inter-
8806 state.
Q. Take transportation expenses, the whole body of transportation expenses?

The COURT: The fifth sub-division?
Mr. LADD: This is the fourth sub-division.
The COURT: Yes, the fourth general heading, but it has five sub-divisions.

A. My idea is that it is considerably less per passenger mile for all kinds of transportation expenses on the state than on the interstate. That is my best judgment.

Mr. LADD:

Q. And the last sub-division "general expenses", you think it would be less for the state than for the interstate per passenger mile?

Q. Yes sir. I would like to correct that if I may.

Including all of the transportation expenses, I cannot see that there would be very much difference on the two classes of traffic. In other words the terminal is a little more, quite a little more, undoubtedly. Yard service is a little more, but not much more in my mind. And I think train and engine service, and miscellaneous transportation expenses, supervision and that sort of thing, is considerably less per passenger mile.

Of course I cannot work it out accurately, but my impression is that there is not much difference between the cost per passenger mile on state and interstate business, for transportation expenses.

8807 Q. You were about to speak a little while ago as to the suburban passenger service out of St. Louis on the Frisco Road: Has one of your associates made an examination as to that?
A. We have examined the conductors' reports for three days.
Q. The Conductors' reports furnished to you by the company?
A. Yes sir. One day in July, one in August, and one in September, 1907.
Q. Without going into the detail of that, because I will ask Mr. Hamilton about it later, what percentage of the total number of passengers carried in Missouri by the Frisco Road on those days, was carried on those suburban trains?

A. Our estimate was about 20%.

Q. How far out do those trains run from St. Louis?

A. Some go to Pacific and some to Valley Park. But the average haul I think would be in the neighborhood of 10 miles. However, we did not attempt to work up the passenger miles, but merely the number of passengers.

Q. Are you familiar with those trains, have you ridden on them?

A. No sir.

Q. I will ask Mr. Hamilton about them.

About 20% of the passengers carried by the Frisco Railroad in the state: is that interstate or state business?

8808 A. There might be some interstate passengers on those trains.

Q. Do you mean to say that 20% of the total number of passengers carried on the Frisco Road in Missouri on those days, both state and interstate, were on those suburban trains?

A. No sir, 20% of the state passengers.

Q. 20% of the state passengers?

A. Yes sir.

Q. I wish you would look at Complainant's Exhibits 11 and 28, prepared by Mr. Ellis, one of the witnesses for the complainant, and introduced in connection with his testimony.

Now state generally, because I can't tell by just looking at it, and I know the Court has forgotten, what they purport to show. They are with reference to trains in Wisconsin in the first place?

A. Yes sir.

Q. On the Chicago, Milwaukee & St. Paul Railroad?

A. Yes sir. And they relate to local and through trains, passenger miles. There is no division between state and interstate. They also show the expense of running certain trains.

The COURT: From Milwaukee to La Crosse?

A. Yes, that is on Exhibit 11.

Mr. LADD:

Q. Stick to Exhibit 11, do not take up the other one yet?

8809 A. They show the expense of running various trains, and show that all of them but one out of five carried both local and through passengers.

Q. Does that purport to deal with all the trains on that division, both local and through passenger trains?

A. I do not so understand it. It is just a partial showing, as I understand it.

Q. Does it appear from that exhibit, or did it appear from his testimony, how many through trains were involved, and how many local trains?

A. The testimony, I believe, shows it. The Exhibit does not.

Q. What was that, do you remember?

A. I am not clear on that.

Mr. HAGERMAN: One of them was the Pioneer Limited. And then they had another through train, and one local train. But your

Honor will bear in mind that in Mr. Ellis' testimony he did not purport to do anything more than to give you the result of what the Wisconsin Commission insisted upon as a test comparing certain local and through trains. He did not undertake to give the whole situation in Wisconsin. In other words that was a test made by agreement to try to ascertain certain results.

Mr. LADD: What results did he reach there, and what was the nature of the result?

A. He found the difference in cost between the local passenger mile and the through passenger mile.

Q. As developed by actual experience on those trains?

8810 A. Yes sir.

Q. What was the result?

A. On Exhibit 11 the local passenger mile was 47% more than the through passenger mile.

Q. Does he give the figures?

A. Yes.

Q. How much was the local passenger mile?

A. 3.21 mills.

Q. And the through passenger mile?

A. 2.18 mills.

Q. And one was what percent greater than the other?

A. 47%.

Q. The local was 47% greater then the through?

A. Yes sir.

Q. Have you examined those figures?

A. Yes sir.

Q. What if anything have you to say about them?

A. We found some small difference, but that result is all right upon the figures that appear upon the exhibit.

Mr. HAGERMAN: That is to say the figures are all right?

A. Yes sir, the results.

Mr. LADD: Now take his Exhibit 28: what does that purport to show?

A. That shows the same information for four divisions,

8811 the Superior, the Northern, the Wisconsin Valley and the Prairie du Chien.

Q. What is the result he has work- out there?

A. According to the exhibit as filed, the local passenger mile cost (including movement expenses) 5.86 mills, and the through 4.73 mills.

Q. The through was lower than the local?

A. Yes.

Mr. HAGERMAN: He gave the per cent, but I do not see it on that exhibit?

Mr. LADD: Have you examined that Mr. Taliaferro?

A. Yes.

Q. What would you say about it?

A. We found the through passenger mile cost was not correctly shown, if the figures in the body of the exhibit are right. They are

really 6.41 mills, or .55 mills more for the through than for the local.

The COURT: According to his own figures?

A. Yes sir, according to the figures in the body of the statement?

Q. The through was more expensive than the local on that?

A. Yes.

Mr. HAGERMAN: We don't want to have to call Mr. Ellis back here if it is not necessary. He showed on cross-examination that whoever wrote the figures out in typewriting had made a mistake.

8812 Q. Have you made those corrections, Mr. Taliaferro?

A. Yes sir, we have made the corrections here, and that reduces the through train expenses, and reduces the difference between the local and the through. In other words the through train expense would have been higher on his own figures than we show them now.

Mr. LADD: On his figures originally, what was the through train expense?

A. It was stated at 4.75.

Q. And the local train expense?

A. 5.86.

Q. And how does it actually figure out?

A. We have not made the figures on the original after correcting them.

Q. After correcting them, how does it figure out?

A. After correcting the through expense, we found that the through passenger cost was 6.41 mills.

Q. And the local?

A. 5.86 mills.

Q. That is after the figures were corrected?

A. Yes sir, it did not change the local, but the through had to be changed because the calculations are not right.

Q. I think it was stated in that tabulation, which pertains to the La Crosse Division, that train No. 1 ran in two sections?

A. Yes sir.

8813 Q. One of the sections carrying night passenger cars and the baggage, mail and express: am I right about that?

A. That is my recollection of the testimony.

Q. But that the expenses of this other section were not included in there, but simply the expenses of the train made up entirely of passenger coaches, is that right?

A. Yes sir, that is my understanding of it.

Q. Have you made any calculations of what the result would be if that train No. 1 were entirely eliminated from that statement and tabulation?

A. I have put all the figures on Exhibits 11 and 28 together, and find that——

Q. That is, you have combined those two exhibits?

A. Yes sir, I have combined those two exhibits.

Q. You have added the figures together?

A. Yes sir.

Q. On that basis, the local passenger mile cost would exceed the through passenger mile cost by 30%, instead of by 47%, as shown by Exhibit eleven, if it were taken alone.

Mr. HAGERMAN:

Q. That is to say, putting together exhibits 11 and 28, the local would be 30% greater than the interstate?

A. Yes sir.

Q. Whereas taking Exhibit 11 alone it would be 27.2%?

A. 47 and a fraction.

8814 Mr. LADD: In putting those two together have you taken the corrected figures as part of one, those corrected figures you referred to a few moments ago?

A. Yes sir.

Q. Well?

A. Just to see how it would come out, we elimiated the figures for that train that runs in two sections.

Q. Train No. 1 on Exhibit 11?

A. Yes sir, on the La Cross Division. We found that the local train passenger mile—or, rather, eliminating that, in considering all the other business, the local passenger mile would be 97.2% of the through passenger mile cost.

Q. Pretty nearly the same?

A. Yes sir, pretty nearly the same.

Q. But a little less?

A. Yes sir.

Q. Is there anything else you would like to say about those two Exhibits, Mr. Taliaferro?

A. I believe not, sir.

Q. I think in connection with Mr. Peabody's testimony Exhibit 35 was introduced to show the consumption of fuel on certain passenger trains, on the Atchison, Topeka & Santa Fe Railroad. That was the idea of that, wasn't it, Mr. Taliaferro?

A. It did show that. It also showed the cost of fuel per 100 ton miles. In other words, the cost of the fuel on their through trains 1 to 10 was more in nearly every case than the cost of the

8815 fuel on their local trains, actual fuel cost, based on the fuel consumed, I suppose. But it is worked out on the basis of 100 ton miles, and of course the result is very bad for the local trains. It is based on the weight of the trains, so that a ten or eleven car train, made up of heavy sleeping cars, would be used as against a 4 car local train, in arriving at those figures.

Q. Those ton miles are based on gross tonnage?

A. Yes sir.

Q. The entire weight of the train?

A. That is my understanding.

Q. Is there anything else you desire to say about this Exhibit 35, Mr. Taliaferro?

A. No sir, except this, if I may add it: that the weight of the train would not at all indicate the number of passenger in the train. This four car passenger train, might, you know, carry as

many people as the ten car train, or more. So all I mean is that by working it out on the basis of the weight of the cars, does not I think mean anything when you are trying to find the cost per passenger mile.

Q. Mr. Taliaferro, where does the injury to the equipment occur? The larger injury on the average; is it on the road or is it in the terminals.

A. When I was in the motive power department, I used to see the reports of damages, and I think I would have said off hand that it occurred on the road. But, if I may be allowed to do so,
8816 I would like to read something that is published by the Westinghouse Air Brake Company on that subject. It appeared in the Railway Gazette of April 17, 1908.

Q. It is short, isn't it?

A. Yes sir, very short.

Q. Read it?

A. They say "draft gearing stress-, due to coupling and buffing operations in yard service, while frequently severe, are in fact not nearly so serious as those developed in regular train service on the road, as in passing through sags and over hog backs, starting with slack bunched, stopping with train stretched, etc. Under such conditions the rigging stresses far exceed ordinary belief, particularly when the recoil effect of spring draft gears emphasizes vibrations, and shocks and strains are violently repeated, inflicting severe punishment to our structure and lading and resulting in frequent delays and parting of trains, familiar to transportation department officials.

It is undisputed that the use of the Westinghouse draft gear will practically eliminate this trouble?"

Q. That is an advertisement?

A. Yes sir, but I don't think the Westinghouse people would publish anything that their experts did not approve of along those lines.

Q. I don't think that advertisement would be addressed to a railroad man with the hope of fooling him?

8817 A. I take that for granted of course. If the use of this device would save damage on the road, it would certainly save it in the yard.

Mr. LADD: Mr. Taliaferro, happened to notice that article, and it merely corroborated his own opinion, that is all.

Q. Mr. Taliaferro you have prepared an exhibit upon the passenger business?

A. I have.

Mr. LADD: I will offer this paper in evidence.

The paper referred to is marked Defendant's Exhibit 61.

Defendant's Exhibit 61 is in the words and figures following to-wit:

8818 Q. In this exhibit 61 you refer to Complainant's Exhibit 2. That is the main Exhibit, and about the first Exhibit that was filed by the Frisco Company, showing the operations of the Company for three months, I believe?

A. Yes sir.

Q. The revenue on state passengers as shown by the Company's Exhibit amounted to $599,051.59?

A. Yes.

Q. And on interstate passenger business a smaller amount?

A. Yes sir.

Q. These figures are taken from Exhibit 2, aren't they?

A. Yes sir.

Q. The miscellaneous passenger earnings are not involved in these figures I have just stated, are they?

A. No sir.

Q. These are earnings of passenger trains, other than passenger fares, aren't they; for mail, express, extra baggage and so on? That is what is meant by "miscellaneous passenger expenses," is that true?

A. Yes sir.

Q. The amount of these is stated, isn't it, in Exhibit 2 at $203,077.28?

A. Yes sir.

Q. You got those figures from Exhibit 2?

8819 A. No sir, pardon me. I explain that here (indicating exhibit 61) that that is $8924.83 more than the figures shown in Exhibit 2.

Q. You can explain that?

A. Well, we did not get it from the figures in Exhibit 2.

Q. Instead of $203,077.28, what are the figures shown to cover miscellaneous earnings?

A. $194,152.45.

Q. Those figures are shown on Exhibit 2?

A. Yes sir.

Q. Why did you substitute $203,077.28 for the figures covering the same earnings shown in the company's Exhibit 2?

A. Because those miscellaneous earnings as they appear in Exhibit 2 were reduced by the amount of a debit balance, called hire of equipment. We added back to the miscellaneous earnings the amount of this hire of equipment charge, and then in working out the expenses added the cost of hiring of equipment to the expenses.

Q. In the statement of the company this $8924.83, which was really an expense, equipment hire, was deducted from the total amount of their miscellaneous passenger earnings. Is that right?

A. Yes sir.

Q. And was not included anywhere in expenses? Is that right?

A. Yes sir.

8820 Q. That amount of expense in the Company's Exhibit, offset that amount of earnings, and so that figure was eliminated from both sides of their account: is that right?

A. Yes sir.

Q. You have taken that amount of earnings and added it to that statement of yours, and that is what leaves the $203,077.28: is that right?

A. Yes sir.

Q. And when it comes to expenses, you also add it to the expenses?

A. Yes sir.

Q. It is simply another way of stating the same thing?

A. Yes sir.

Q. You have undertaken to divide the miscellaneous earnings: are they divided in the company's statement between state and interstate?

A. No sir.

Q. They have not undertaken to do that?

A. No sir.

Q. In this statement you have made a stagger at the division there?

A. Yes sir.

Q. Upon what basis?

A. We have divided the miscellaneous earnings on the basis of the earnings from state and interstate passengers.

Q. You make the state miscellaneous earnings bear the same proportion to the interstate miscellaneous earnings, that the
8821 state passenger earnings do as a matter of fact bear to the interstate passenger earnings: is that right?

You have divided, in other words, the undivided miscellaneous passenger earnings between state and interstate in the same proportion that exists between the actual passenger earnings, state and interstate, as shown by the company's Exhibit 2: is that right?

A. Actual passenger revenue. That is, earnings on passengers.

Q. Yes, from passengers?

A. Yes sir.

Q. In that way, of the miscellaneous earnings you add to the state passenger earnings how much?

A. $125,704.84.

Q. What does that make the total state passenger earnings including that proportion of the miscellaneous earnings?

A. $724,756.43.

Q. And the interstate earnings, including both passenger and miscellaneous earnings, arrived at in the same way, what do they amount to?

A. $446,059.87.

Q. Now the total passenger expenses, as shown in Exhibit 2, amounted to $1,004,871.41?

A. Yes.

Q. Are the miscellaneous passenger expenses included in that?

A. The cost of earning the miscellaneous passenger rev-
8822 enue is in there.

Q. In the total passenger expenses, as shown by the Company in Exhibit 2, are included the expense of earning this miscellaneous revenue from mail, express and baggage: is that right?

A. Yes sir.

Q. You have deducted from the passenger expense, as shown in the Company's Exhibit 2, a certain amount for rentals and taxes, leaving a net amount of $965891. after that reduction, and you have

added that hire of equipment, which was spoken of a few minutes ago, making the total passenger expenses $974,816.61?

A. Yes sir.

Q. If you are right about that, that $974,816.61, if the company's figures are right, and your deductions from them are correct, is the amount which it cost the company to earn its total passenger revenue, and its total miscellaneous passenger earnings: is that right?

A. Yes.

Q. Does the company's Exhibit show the number of passenger miles, both state and interstate?

A. Yes.

Q. Now in the first place you have divided, according to this statement, that total expense of $974,816.61 between state and interstate on the basis of passenger miles, as they are reported in the company's statement, have you?

8823 A. Yes sir.

Q. Dividing that total expense in that way, how much will be allotted to the state business?

A. $578,261.18.

Q. And how much, by the same method of apportionment, falls to the interstate passenger business?

A. $396,555.43.

Q. Suppose the state passenger business costs 10% less than the interstate passenger business, what would be the result of a division of expenses upon that basis?

A. 10% less per passenger mile?

Q. Yes?

A. The state business would be charged with $553,208.40, and the interstate with $421,608.21.

Q. Suppose the expense per passenger mile is 20% less on state than interstate, what would be the result? How would the expenses be divided?

A. State $524,841.25; interstate $449,975.36.

Q. If the expense is exactly the same per passenger mile, what were the net earnings on the state passenger business?

A. $146,495.25.

Q. And the net earnings upon the interstate passenger business, upon the same basis?

A. $49,504.44.

Q. And the total?

A. $195,999.69.

8824 Q. Take it that the state passenger business costs 10% less, what are the net earnings on the state passenger business?

A. $171,548.03; on the interstate $24,451.66.

Q. And the total is the same as the other, of course?

A. Yes.

Q. Suppose the state passenger business costs 20% less per passenger mile, what is the net result?

A. State $199,915.18; interstate a loss of $3,915.49.

Q. In the Company's Exhibit 2, on page 5, it is said that estimating the value of the company's property at three times the assess-

ment of the State Board, six per cent annual interest upon 14.92% of such value (being as I understand it the company's estimate of the proportion of the entire property, which is devoted to the earnings of the state passenger business) would be $137,051.57. That is to say that their earnings, in order to earn, the net earnings in order to be equivalent of 6% upon the value of that portion of the property employed in making those earnings, according to this statement, would be $137,051.57.

I do not admit that at all, if your Honor please, but I want to ask Mr. Taliaferro now this question: what the net earnings would be upon the state passenger business, upon the basis that it costs the same amount per passenger mile as it does upon the interstate?

A. $126,495.25.

8825 Q. It would be enough, and more than enough, to meet that sum?

A. I will have to correct that by saying that is before taking out taxes and rentals. We do not cover that part of it, after taking out taxes and rentals upon a passenger mile basis.

Q. A large part of those rentals consist of dividends on the Kansas City, Ft. Smith & Memphis Railroad stock, don't they?

A. No sir, that is eliminated entirely.

Q. How much difference would it make, suppose you included the taxes and rentals? How much would that $146,495.25 be reduced? Have you figured it?

A. It would be reduced to $131936.52.

Q. How much taxes do you deal with?

A. The amount shown on page 1 of Exhibit 61, $17,075.49.

Q. And rentals $21904.14?

A. We take out a part of that, and add what is left to the taxes, and then apportion to the state business on a passenger mile basis, its part of those charges.

Mr. HAGERMAN:

Q. You do not count taxes and rentals at all in this statement?

A. Before we use the final figures we do.

If you have finished Mr. Ladd, I must remind you of one thing. That figure representing 6% on a certain valuation is based on a 14 and a fraction per cent of the total value found in that way. Now we are dealing here with the earnings, which amount to 17%, nearly 18%, of all the earnings, that is which are made on

8826 this basis of 17% of all the earnings. So you cannot compare those figures properly.

Q. What is this 14.92% mentioned on page 5 of the company's exhibit 2?

A. That I understand to be the percent of the earnings from state passengers alone to the gross earnings from all business.

Q. That is earnings from passenger fares, is that it?

A. Yes.

Q. What was it you said about 17%?

A. 17% is the percent of passenger fares and miscellaneous passenger earnings to the gross earnings.

Q. To the total earnings?
A. Yes sir.
Q. So 17% of the entire value of the property would be somewhat more than 14 or 15 per cent?
A. That is the idea.
Q. So that those figures, when we are comparing their statement with the one you have made, your statement would have to be correct in order to correspond exactly to that extent, is that right?
A. Yes sir.

Mr. HAGERMAN:

Q. Which percentage of ours do you claim is wrong?
Mr. LADD: I don't claim either of them is wrong.

8827 Q. Now, Mr. Taliaferro, I haven't in mind just now anything further to ask you upon the passenger branch of this subject. But if you know of anything, or can think of anything that will throw any light upon this subject, I wish you would state it either in the matter of opinion or of fact that I have omitted to elicit?

A. I have looked through my papers, and I do not believe I know of anything, or can think of anything.
Q. Then we will pass to the subject of freight.
Does the company's exhibit show what the average revenue per ton mile received by the company, was during the period mentioned?
A. Yes sir.
Q. What was it according to their statement?
A. 1.739 cents on the state, and 1.006 cents on the interstate.
Q. Those are the company's figures?
A. Yes. I believe they were filled in afterwards, but they were based on the company's figures.
Q. How much greater in percentage is the revenue per ton mile, according to those figures, on state freight than on interstate?
A. 72.86%.
Q. Mr. Taliaferro I wish you would state what in your opinion, derived from your experience of all kinds, which you detailed this morning, and your information which you obtained in vari-

8828 ous ways, including the information you gained from hearing the testimony in these cases, and examining records, and your investigations, what is the proper unit of cost for freight service?

A. I think the ton mile. It is the best available unit. It may not be exactly accurate, but it comes nearer representing the weight of the freight, and the distance it is hauled than any other unit.
Q. Likewise, what is the proper unit of earnings in the freight service?
A. The ton mile, I think. It has always been considered an important figure ever since I ever knew anything about railroads, 22 years ago.
Q. Have you or not, been corroborated in your opinion by the testimony of witnesses, which you have heard in these cases?

A. I would regard it in that light. I do not know just what the witnesses may have meant.

Q. What witnesses?

A. Going back to the hearings before the Master, I think Mr. Gray of the Northern Pacific, bases all his calculations on the ton mile. Mr. Rahn, the General Manager of the Illinois Central, made his figures on the ton mile basis. Mr. Clark of the Missouri Pacific, and Mr. Miller of the Wabash——

Q. Who is Mr. Miller, the General Manager of the Wabash?

A. The Vice-President, I think.

Q. The General Manager?

8829 A. Vice-President & General Manager, I believe.

Q. Do you happen to know whether any railroad companies keep statistics in their office as to the cost per ton mile of handling freight?

A. Yes sir, I think quite a number of them do. The roads in whose offices we have gone in this work do.

Q. What offices?

A. The Wabash, the Missouri Pacific, and the Burlington Railroads. I speak of those from a little more intimate knowledge than I have of the others.

Q. What in your judgment is the basis upon which the expenses of doing state and interstate business ought to be divided between those two classes of business?

A. I know of nothing more correct than the ton mile. We have considered every basis that has been suggested, and our conclusion is that that is the most correct basis.

Q. What is your objection, or what objection can you state, if there is any objection which is a good one, to dividing these expenses on the basis of the revenue derived from both classes of business?

A. I don't think the revenue has anything to do with the cost, Mr. Ladd.

Q. Just go on and explain why that is. You say you don't think so?

A. I know from my personal experience in quoting rates, and in seeing rates arranged, and from the testimony given by

8830 traffic men in this case, that the railroad traffic officials never for a minute—that may be a little strong—but they do not consider the cost of the service when they fix their rates.

We know all the roads, for instance, charge the same between St. Louis and Kansas City for hauling the same kind of freight. And we know that no two of them could get it here at the same cost. The revenue is no index to the cost. You might look at so many dollars of earnings, and you would not know at all how many dollars it cost to get it. You could not tell a thing by looking at the earnings.

What we do is to take the expenses, and not consider the earnings at all. We take the expenses and try to find the best basis upon which to divide them. We know the train mile does not mean anything for that purpose; and that the car mile does not mean so much. But the ton mile does represent a ton of freight one mile.

Of course there are different classes of freight, they do not all weigh the same, and they do not all take up the same space. But there are all kinds of freight in both classes, state and interstate.

And so I feel that that comes nearer to being the proper unit upon which to divide the expenses than anything which has been suggested. It is the thing which produces the cost. It is hauling the freight. And every kind of expense is incurred because of the hauling of the freight, even though it has nothing to do with the actual haul.

8831 Even the station and yard service, and all those things are all incurred by reason of the fact that the company is operated for the purpose of hauling freight and passengers, moving them around from one point to another.

Now the ton mile takes into consideration both the weight and the distance. I do not say it costs as much to haul a ton mile on a through train, or in a car-load, as it does a less than car-load shipment going a shorter distance. I do say it does not average up things in that way, and say it is just as much for each mile of 100 miles, as for each mile of ten miles. We do not do it that way at all. It does not work out that way. But we say because there is some interstate freight which of course costs much more per ton mile than the state. Take a car-load of freight going across the state, say from St. Louis to Kansas City, and the cost per ton mile on that would be much less than a car-load of interstate freight going a short distance in the state. But we find the average. We know how many ton miles we made. We know how many tons we handle. And dividing the ton miles by the tons gives the average haul.

Some of the state freight is hauled much further than the interstate, but on the average the state business is hauled a shorter distance than the interstate, and so to that exent we average it. The ton mile averages up things and gives us a basis upon which to compute the cost. Not ton mile for ton mile, but we have a unit

8832 upon which we can work when considering the various kinds of expenses. We say that some are the same, some are more, and some are less, as applied to that kind of a unit.

It seems to me, taking all the roads in Missouri, while they do not all run between the same points, of course, and do not all handle just the same kind of business, if the revenue in any way fixed the cost, the railroads should all be operated at nearly the same per cent of cost to earnings; and we know they do not, and we know some are very low, and some are more than their earnings, according to their own figures.

In other words what you get for it does not have anything at all to do with fixing the cost, or does not necessarily have any relation to it. Therefore, we have not used it in our calculations, and those are our reasons.

Q. Is the ton mile unit an invention of yours?

A. I hardly think that, sir. It came to us very early in this case.

Q. It has been used before, has it?

A. I don't know whether it nas been used.

Q. You say the railroads used it in getting up their statistics?

A. They use it for all freight. I cannot say any of them use it in dividing expenses between state and interstate, because I don't know of such a case. I do not know of any other place it has been used.

Our work here has been just as it is when we undertake
8833 to do any kind of work for a client; we try to get down to the facts, and right conclusions, as far as possible.

We found we had a situation where these expenses had to be divided between state and interstate business, and we considered the various bases that offered themselves, and we concluded the ton mile basis was the best of all—best because the most accurate.

Q. Can those expenses, Mr. Taliaferro, be accurately divided in any way between state and interstate?

A. Not that I know of.

Q. But you think a division on the basis of the cost per ton mile approaches more nearly to accuracy than any other method you have heard of, is that it?

A. Yes sir.

Q. So far as your experience with railroads and railroad accounting goes, have the railroads undertaken in their systems of accounting, to ascertain the cost per ton mile?

A. Yes sir, so far as I know all the roads do it. At least I believe I could say that is generally done without fear of contradiction.

Q. Now, Mr. Taliaferro, I will ask you a general question first, as to the result of your investigations in this case, and your study and observation, which in Missouri costs the railroad most per ton mile, the state or interstate business?

Mr. HAGERMAN: I desire to interpose an objection to this line of questioning, for the same reasons stated in my objection
8834 to questions relating to the increased cost of the passenger business.

The COURT: The testimony will be received subject to the objection.

A. I think the state business costs more per ton per mile than the interstate.

[illegible] ADD:

Q. You think it costs more per ton per mile?

A. Yes sir.

Q. The state than the interstate business?

A. Yes sir.

Q. You can't tell exactly how much more, and you do not pretend to, do you?

A. No sir.

Q. Can you fix some inside and outside limits as to the percentages within which you would deem yourself entirely safe? And if you can I wish you to do it without going into detail?

A. I should say from 20% to 50%.

Q. 50% would be the highest, and 20% would be the lowest limit: is that right?

A. I have some figures that indicate it might be lower than 20%.

But you would say from 20% to 50%?

A. Yes sir.

Q. Not more than 50%?

A. No sir.

Q. That is per ton mile?

A. Yes sir, per ton mile?

8835 Q. By that you mean to say, for instance, (it may not be a very good illustration) that if it costs one cent per ton mile to handle interstate freight, it will not cost more than 1½ cents per ton mile to handle the state freight; is that it?

A. Yes.

At this point recess was taken until 2 o'clock p. m.

After recess of Tuesday, December 22, 1908, the following proceedings were had:

Direct examination of A. P. TALIAFERRO continued.

By Mr. LADD:

Q. Returning again for a moment to the passenger part of this case, and Defendant's Exhibit 61, which you prepared, and which was offered in evidence this morning: on page 3, of that exhibit, you reached a result of net earnings amounting to $131,936.52 on the state passenger business. You have already explained how you arrived at that. Now Complainant's Exhibit 2, on page 5, assumes for the moment at all events, or indicates rather, for the purpose perhaps only of the calculation, to apportion the value of all the property of the complainant in such a way as to set apart to the state passenger business, a proper part of that valuation; and as I understand it, it is done by taking the same percentage of the total valuation that the state passenger revenues bear to the total revenues of the company, which as stated here are 14.92%: is that the way you understand it?

8836 A. Yes sir.

Q. On that basis, the complainant's statement says to earn 6% annual interest on the value of that portion of the property, would require $137,051.57.

Now that 14.92% of the earnings, is the percentage which the revenue derived from passengers bears to the total revenue of the company: is that right?

A. Yes sir.

Q. Now of that revenue, in reaching your figures of $131,000, you have added, as you have already explained, a certain proportion of the revenue derived from mail, express, extra baggage and so on, earned by passenger trains: that is right, isn't it?

A. Yes.

Q. Now when you have done that, instead of that revenue set off in that way, being 14.92% of the entire revenue of the company, what proportion is it?

A. 17.9%

Q. Then I wish you would add to the $137,051.57, the figures

contained in complainant's statement, a sum sufficient to realize that difference between 14.92% and 17.9%, the figure which you use, and tell us what it would amount to?

A. The total would be $148,001.

Q. Instead of the $137,051.57?

A. Yes.

Q. In the figures $20,412,804.90, mentioned on page 5 of
8837 Complainant's Exhibit 2, as the assessment for 1907, and which was supposed to be ⅓ of the actual value, in the opinion of the Board of Equalization, are included the assessment of franchises, which I will say to you, and you may assume it to be a fact, were a little more than $3,800,000. Now assuming those figures I have just given you are right, what proportion of the total valuation $20,412,804.90 is the franchise valuation amounting to about $3,800,000?

A. Based on $3,808,000 it is 18.6%.

Q. The franchise assessment is 18.6% of the whole assessment, is that right?

A. Yes sir.

Q. What are your figures added to the $137,051.57, what do they make?

A. $148,001.

Q. Deduct from your $148,001, 18.6% of that amount, and see what you have left?

A. $120,472.82.

Q. Is 6% interest (following the lines of complainant's statement) upon that portion of the property, at the assumed valuation, devoted to the earnings of the passenger and miscellaneous passenger revenue: is that it?

A. Yes sir.

Q. And you have, according to one tabulation here, $131,000 to meet that $120,000: is that right?

A. Yes.

8838 The COURT: Let me see if I understand that: you mean part of the valuation upon which these taxes were assessed, were franchises?

A. It is called "all other property."

Q. You understand it is franchises?

A. Yes sir.

Q. In deducting the grant total upon which dividends are to be earned, you do not count the franchises?

Mr. LADD: He did not in his last calculation just now.

Mr. HAGERMAN:

Q. Isn't that right, Mr. Taliaferro?

A. Yes.

The COURT: What do you mean by franchise?

Mr. LADD: Well——

The COURT: I am asking the witness.

Mr. LADD: I don't suppose he knows.

The COURT: I don't, and I didn't know but what he did.

Mr. HAGERMAN: I would call it the good will of the railroad rather than the franchise. There is no law defining it.

The COURT: I never heard two men agree about it, so I thought I would ask this gentleman.

Mr. LADD: Personally, I think good will is a different thing from franchise.

8839 Q. You stated before recess, Mr. Taliaferro, that in your opinion it cost the railroad more in this state to handle state freight per ton mile than interstate freight: is that right?

A. Yes sir.

Q. And you put it at from 20% to 50% more?

A. Yes sir.

Q. Now I wish you would take, if you have one there, the classification of railroad expenses, railroad operations, freight operations, and point out which costs more in your judgment, and which if any in relation to any of these expenses, it may be said that this state expense is less?

A. I would not add anything to the state cost, on account of the maintenance of way and structures. I think the use of the track must depend upon the number of cars that are required to handle the business, generally speaking. The maintenance of the stations is a very small item in the total maintenance of way and structures expense. Now, so far as we know, there has never been a separation for use in this case, of the state and interstate business, as between car-loads and less than car-loads, except such figures as we have made.

Exhibit 19 in the Missouri Pacific case covered the month of October, 1905, which included all the freight handled in Missouri by the Missouri Pacific Railway in that month. Exhibit 36 in the Burlington case covered all of the freight business handled by the Burlington railroad in Missouri, in the month of September, 1906.

8840 Q. Have you those exhibits there?

A. Yes sir.

Mr. HAGERMAN: Have you prepared exhibits upon that Burlington Exhibit 36, or are you going to use the Exhibit itself?

A. I have not prepared any exhibit, but I was going to tell of some figures I have put together.

Q. You haven't them in a separate exhibit?

A. No sir, I have not.

Mr. LADD:

Q. That exhibit 19 of the Missouri Pacific was prepared after an investigation by you and your assistants?

A. Yes sir.

Q. And Exhibit 36 in the Burlington case was practically the joint work of yourself and your assistants, and the Burlington people, who were selected by Mr. Sturgis, the General Auditor: that is true, isn't it?

A. Yes sir.

Q. What were you going to say about it?

A. I have combined the interstate car-load tons, and the interstate less-than-carload tons.

Q. What branch of the expense are you on now. Let us keep in order here, if we can?

A. Maintenance of way and structures. I have combined the interstate carload tons, interstate less-than-carload tons; state
8841 carload tons, and state less-than-carload tons; as shown by those two exhibits, in order to try to find some average conditions.

The interstate carload tons were 95.57% of all the interstate tons. The state carload tons were 92.55% of all the state tons. Now I wanted to find out how many cars it would take to handle 100 tons of each kind of freight.

Q. Are you talking about maintenance of way and structures?

A. Yes sir.

Q. Proceed.

A. I took Exhibit 8 in the Missouri Pacific case, which showed the carload business handled at 88 stations on that road, in the State of Missouri. That Exhibit showed that the state business was loaded and average of 27 tons per car; it showed that the interstate business was loaded an average of 22.5 tons per car.

The COURT: Interstate?

A. Yes sir, interstate, 22.5 tons per car.

Mr. LADD: I will offer in evidence this exhibit.

The paper referred to is marked Defendant's Exhibit 62.

Defendant's Exhibit 62 is in the words and figures following to-wit:

8842 Q. How do you know that they loaded in carload lots, on the Missouri Pacific Railroad, of state and interstate freight respectively, an average of 27 tons of state freight, to a car, and 22.5 tons of interstate freight to a car; how is that made to appear?

A. I am taking those figures from Exhibit 8 filed by the Company.

Q. It is their exhibit?

A. Yes sir. I have taken 100 tons of interstate freight, divided in the proportions referred to, 95.57 tons as carload, and 4.43 tons as less-than-carload, and I have divided the carload tonnage by 22.5%.

Q. Because that exhibit showed that that was the load of an interstate car?

A. Yes sir, the average loading of 2600 cars.

That shows that there would be required for that part of the interstate business, 4.24 cars.

I have taken the less-than-carload tons 4.43, making up the 100 tons, and divided it by 3, being an assumed average loading for the less-than-carload business.

Q. Three what?

A. Three tons. On that basis the interstate business—

Q. Isn't this exhibit on the basis of 4 tons?

A. I don't know.

Q. Look and see.

A. (After examining exhibit:) Yes sir, I beg your pardon,
8843 I didn't notice that. Using four tons as the average loading, which I believe is less than the figured testified to by several of the operating men, would give 1.11 cars for the less than carload, making the total number of cars required for the 100 tons 5.35.

Q. For what?

A. For the interstate business. Then I divided the carload part of 100 tons of state freight, 9255 tons, by 27 tons, and that gave 3.43 cars as the number that would be required. I divided the balance of the 100 tons, the less than carload part, 7.45 tons, by 4 tons, and found it would take 1.86 cars to handle the state less than carload business. Those figures added to the cars required to handle the carload business, showed a total of 5.29 cars to handle the 100 tons of state business.

Q. The result of this exhibit then, is that by combining the figures from the Burlington, as to their state carload and less than carload business, separating them between those different classifications, and taking the Missouri Pacific Exhibit prepared by the Company, showing the average loading of carload lots on that road, both state and interstate, from actual tests on a number of trains, tests made by themselves, you say that for 100 tons of interstate freight of all kinds, there would be used 5.35 cars, and for the same quantity of state freight 5.29 cars; is that the result of it?

A. That is the result of this statement.

8844 Q. Now you assume in the preparation of this statement, that the loading of less-than-carload freight, and the average loading of a car of carload freight, state and interstate, is the same, do you?

A. Yes sir.

Q. And you assume for the purposes of this statement, that the average loading is four tons of less-than-carload freight in those cases?

A. Yes sir.

A. Why do you assume four tons?

A. For various reasons.

Q. You do not do it because you have been in the car and weighed it?

A. No sir.

Q. Or examined the way-bills?

A. No sir.

Q. Please tell the Court why you do it?

A. I do it because it has been testified in this case that the average loading of less than carload business is from 2 to 7 tons, say. This is just a figure to use to see how it would come out.

Q. That is based upon the testimony in the case?

A. Yes sir.

Q. You say the testimony has been that the average loading
8845 is from 2 to 7 tons. You mean the testimony of the railroad experts, I suppose?

A. Yes sir.

Q. And you have, for the purposes of this statement, taken the average loading at four tons?

A. Yes sir.

Q. Of both state and interstate less-than-carload freight?

A. Yes sir.

Q. Have you some figures there upon the basis that the loading of state less than carload freight is only 3 tons, and of less-than-carload interstate freight is 4 tons?

A. I can give you the figures.

Q. I didn't know but you had them there. I will ask you then, have you some figures upon the basis that the loading of both classes of less-than-carload freight is three tons?

A. Yes sir.

Q. Substitute three for four tons, and what is the result?

A. On that basis the interstate freight would require 5.72 cars, and the state freight would require 5.91 cars.

Q. What percentage more of cars would be required on that basis for 100 tons of less than car-load freight, than for the same quantity of interstate less-than-carload freight, upon the basis of the same loading for each?

A. 3%

Q. The 100 tons includes freight of all kinds?

—. ——.

8846 Q. How much larger per cent of cars upon the basis of three tons to the less-than-carload freight, do you make it?

A. Between 3 and 4%.

Q. Between 3 and 4 per cent more state cars than interstate, is that it?

A. That is right.

Q. You were testifying about the expense of the maintenance of way and structures: now what has this to do with it?

A. Those I have indicate the use of the track that would be gotten by the two kinds of freight.

The COURT: One equal to the other?

A. It indicates that they are very close.

Q. I mean in round numbers?

A. Yes sir.

Mr. LADD: That is, to transport 100 tons of state freight required practically, we will say, the same number of cars that it does to transport 100 tons of interstate freight?

A. That is right.

Q. Of all kinds?

A. That is my idea.

The COURT: Car-loads and less than car-loads?

A. Yes sir, in the proportions found by combining the figures in these two exhibits.

8847 Mr. LADD: What application has that illustration you have just brought out to do with the relative cost to be charged to each of the maintenance of way and structures?

A. I think that the freight would not get the use of the track at all if it were not in cars. Therefore, the number of cars, the average

weight, and all that, should be taken into consideration in considering the use that the freight would get of the track.

Q. That is tons, and not ton miles, is it?

A. Yes.

Q. How much more in proportion, or how much less in proportion, do you assign to the state freight than you do to the interstate freight, on account of the maintenance of way and structures?

A. I make no distinction. I do not add anything or deduct anything at all. Because if the freight is using the car twice as far, if it is going twice as far, it is getting the use of the car twice as far. So while the interstate is making that many more ton miles, the car is also making that many more miles.

Q. And using the track twice as much?

A. Using the track twice as far.

Q. When I say twice as much, I mean twice as far?

A. Yes sir. Now as to the tracks around the station, I think if the second class of interstate business, which in tons is ap-
8848 approximately 60% in tons of all the business, then it is more than four times as great in tons as the state business. That is, based on the Burlington figures. The only case in which a separation has been made between through interstate and second class interstate, or trans-state, and what has been called here interstate.

Now in making up this statement, we included in the through interstate——

Q. That is Exhibit 36 in the Burlington Case?

A. Yes sir. We included in the through interstate everything that started out of the state and ended out of the state, but went through a portion of Missouri. It might have been less-than-carload business transferred in the state of Missouri. It might have been received on the Burlington in Missouri from some other road, or delivered to some other road in Missouri. The origin and the destination of the freight were the only things considered in arriving at these three classes.

So, when we say 27.62% of all the tons were first class interstate, there is some business, (I don't know how much) included, which I think would receive practically the same sort of handling as the second class interstate.

Q. By first-class interstate, you mean what has been called trans-state freight?

A. Yes sir, trans-state. Now my idea is that if the second-class of interstate business loaded only 22.5 tons on the average,
8849 the car-load business, that the trans-state business would not average that much?

Q. How much?

A. Because it consists largely of the higher grade commodities, which can afford to go the longer distance, people can afford to ship them, such as furniture, agricultural implements, California fruits, and things of that sort. Of course that is only my opinion, but that is my idea about it; that the trans state car-load business will average less per car, than even the second class interstate business.

Now if the use of the track is based upon the car use of state

and interstate freight, then it seems to me the state freight would get no more use of the tracks per ton per mile than the interstate freight.

As to the station tracks, you see 100 tons of interstate freight on this basis I have used in Exhibit 62, would use more track at a given point, than the cars used in the state freight.

Q. Why?

A. Because it would take 4.24 cars to handle the carload part of the interstate business, and only 3.43 cars to handle the car-load part of the state business.

While there is more less than car-load freight in the state business than in the interstate—that is, there is a larger per cent of state business than interstate, which is in less than car-load lots, that
8850 business is frequently handled direct from the car to the way station, over skids, or is carried over, and does not get in on the sidings at all, and does not have to make any use of these stations and sidings.

So my conclusion is, at least that is the way I worked it out, that there would be no more use of the way and structures by a given amount of state freight, if these proportions would hold good all the way through, than there would of the same amount of interstate freight. For that reason, I do not charge any more per ton per mile to the state than to the interstate freight.

Q. You mean for maintenance of way and structures?

A. Yes sir.

Q. These facilities that are found at the stations between large terminals, such as side tracks, loading tracks, perhaps unloading tracks, and at some places stock pens, loading pens for stock, and possibly an elevator or a mill, are those used by the interstate as well as by the state traffic?

A. Yes sir, there is no question about that. That is the second-class of interstate traffic.

Q. That is what I mean.

A. According to Exhibit 36 there are four times as many tons of second-class interstate as there were of state business.

We looked into that matter on the Missouri Pacific. We took the figures we had gotten together for the month of October, 1905,
8851 on which we based Exhibit 19, or made up the figures which now appear as Exhibit 19, and we found that every agency station in the state, handled both state and interstate business. There were some flag stations that handled interstate business, and did not handle any state business at all. Then there were some flag stations that handled some state, but no interstate business, but I think it is fair to assume that every facility which the railroad company maintains is used for every class of traffic, and largely more for the second class interstate traffic than for the state.

Q. Is there anything further you want to offer as a reason why you do not charge the state anything extra on account of the maintenance of way and structures. Is there anything else you can think of or reasons that have moved you to that conclusion?

A. That is all that occurs to me just now.

Q. Take the next sub-division, maintenance of equipment; what do you do with that as between state and interstate freight?

A. I assume that it would take, as in the other case, as many cars to do a given amount of state business, as to do the same amount of interstate business, and for that reason I would not charge any more to the state business on account of maintenance of equipment.

Q. It has been stated here, and I am not disputing the truth of it, that the wages upon what are called local trains, are higher for the same amount of service than they are on what are called
8852 through trains, and that the expense for fuel is somewhat greater for the same time, and perhaps for the same district: Have you taken that into consideration?

A. Not in connection with the maintenance of way and structures or maintenance of equipment.

Q. Not with maintenance of equipment?

A. No sir.

Q. That is true, that is part of the transportation expense?

A. Yes sir.

Q. Would you be willing to concede, or do you concede, that the expense of maintaining an engine in the local traffic on a local train, is greater than on the through train?

A. The engines are usually employed interchangeably, and of course the practice on different roads differs; but my idea is that as a general proposition the lighter engines are use on the local trains; those are older engines, and the older they get the more repairs they require. The more things get out of fix, and for that reason it may be that the repairs actually regardless of the miles it makes, would be more on a local engine, or one which had gotten to the point that it was being used exclusively in that service, than on the newer or better engine used in the through service.

Q. Suppose that were the fact, do you think it would be fair to charge that extra expense, if there is an excessive expense, to the state traffic alone?

8853 A. I would not say it would not be fair, but I don't see how it could possibly be worked out and arrived at, and used for any practical use.

Q. Those trains on which that kind of engine is used, and in which that extra expense, if any, is incurred, are they carrying purely state freight?

A. No sir, they are carrying largely interstate freight; much more interstate than state freight, according to figures.

Q. Have the proportions been arrived at by you, by any test, the proportion of state and interstate freight, on what is called the local freight train?

A. We have some figures on that?

Our own figures based on 24 through trains on the Frisco and 24 local trains, showed that the interstate ton miles were 51.4% and the state ton miles 48.6%.

Q. That is both local and through?

A. That is the business done on the local train.

Q. 24 local trains?

A. Yes sir.

Q. What day was that, if there was any particular day?

A. July 17, 1907.

Q. On what part of the line?

A. On the main line to Monette, from St. Louis; and to the Arkansas state line on the branch line to Memphis.

8854 Q. That is running down the Mississippi river?

A. Yes sir.

Q. Did that take in any of the local trains that ran on that day on those two lines?

A. Yes sir, it took in all the locals.

Q. And there were 24 of them?

A. Yes.

Q. Now what is the result of that examination, as to the proportion of state and interstate freight carried by them?

A. 51.4% of interstate, and 41.8% of state ton miles.

Now I should add that this is based on carload business. We did not attempt to, we were unable and did not have the time, to separate the less-than-carload business between state and interstate, but in various ways we satisfied ourselves it would not be unfair to divide the less-than-carload freight in the proportions that the car-loads were in the total. So to that extent we have not the exact figures.

Q. But you think the interstate less-than-carload would bear the same proportion to the whole on those trains, that the car-load did?

A. We have assumed that, and I believe that would be fair.

Q. You believe that to be fair?

A. Yes sir. Now on Exhibit 6, put in by Mr. Kimbel, in which the car-load and less-than-carload were separated, I believe——

Q. Was that for the Cotton Belt?

8855 A. Yes sir. The interstate ton miles on the local trains were 56% of all the ton miles made by the local trains.

Exhibits 41 and 42, put in evidence by Mr. Peabody, show that 81.4% and 85.3% respectively, of all the ton miles on the local trains were interstate. So I think it is fair to assume that a very large part of the ton miles made by the local trains are interstate freight.

Now our test on the Frisco, at least our compilation of one day's figures, showed that of all the state ton miles, 58.7% were made on through trains, and 41.3% on local trains.

On the Cotton Belt 13.4% were made on through trains, and 86.6% on local trains.

On the Santa Fe the figures were——

Q. Whose figures?

A. Mr. Peabody's exhibits showed that the state ton miles on through trains were 68.8% of all the state ton miles covered by that Exhibit 41. And in Exhibit 42 the through trains made 67.5% of all the state ton miles.

So from that it appears that more than half, probably much more than half, of all the state ton miles, are made by through trains. And much more than half of the ton miles made by the local trains, are interstate freight.

Q. Are there any other reasons why you deal with maintenance of equipment in the way you do?

A. I think that is all.

Q. Take up now the sub-division "traffic expenses"?

8856 A. While they are not a very large part of the total operating expenses, I think the same thing would apply there as in the passenger business, that the expense would be much less per ton mile on the state freight than on the interstate, because I think the state freight largely takes care of itself. The rates are put in and stay there. There is very little to be done about them after that. If there is a claim, it is very easy to settle; the railroad has it all on its own rails most of the time, and can apply its rate, and that is the end of it.

But take the interstate business, and it involves shipments all over the United States; the preparation of tariffs, and the arranging of rates, the quoting of rates, the general work of securing and looking after interstate business, certainly takes most of the time of the Traffic Department.

Q. Your conclusion, then, is that a large proportion of the traffic expenses——

A. A much larger part per ton mile, yes, would be chargeable to the interstate than to the state.

Q. Take the next sub-division "conducting transportation."

A. The transportation expenses come next. They include supervision and some other items, and I would think that the ton mile cost on the interstate for that kind of expense would be greater than on the state.

When it comes to the station service I have, in arriving at my figures, doubled the cost per ton per mile of state freight, for

8857 the reason that the state freight travels somewhere near half as far on the average as the interstate, and there would be fewer ton miles over which to spread the station expense. The state is really more than half the haul.

Q. But you double that?

A. Yes, sir; I double that.

Now there again the simplicity, if I might call it that, of the state business, operates to reduce the cost per ton mile of that business. It is easy to handle. There is no trouble about getting the way-bills made. You don't have to wait days for the general office to quote the rate. It pretty nearly takes care of itself. Not that there is not a certain amount of manual labor, but that the handling of it is simple as compared with shipments that must be taken out of cars coming across the river, say at St. Louis, and handled all around a big terminal warehouse, put into other cars going off in different directions, loaded for different points. I think that doubling the cost per ton mile on the state freight on account of station expenses is making it just as high as it ought to be.

Q. In that expense is included the handling of the merchandise or freight?

A. Yes sir, in the ware-houses.

Q. What is the next item?

A. Yard service comes next.

Q. What do you say about that?

8858 A. I have doubled that in all my figures.

Q. You have doubled it?

A. Yes.

Q. What is next?

A. Train and engine service I put together.

Q. That is, carrying the freight over the road?

A. Yes sir.

Q. In that station and yard service is included what has been called the terminal expense?

A. Yes sir, practically all of it.

Q. It has been said here very often, stated as a general proposition, that state freight has two terminals, and interstate freight only one terminal: what do you have to say about that?

A. I would not agree with that.

Q. Go on, and explain to the court what your view of it is?

A. There is some state freight that would have but one terminal, as it is used in this case, because it starts on one railroad in the state, and ends on another. It might even start on one railroad, and use two others. In that case the second road would not have any terminal expense; there would not be any, according to the testimony I have listened to here.

Now I think there is, I think there is a terminal expense every where freight is handled at all. I think there is an expense in the big terminals on freight passing through. I think there is

8859 an expense at every transfer point, and at every division point where the train stops, and the cars are switched around, and the trains are made up and broken up.

Q. You don't agree with the proposition, that on state freight there are two terminals, and on interstate freight one terminal, stated in that general way?

A. No sir.

Q. Is that right?

A. That is correct.

Q. How many terminals are there in interstate freight?

A. Take it on the Frisco, and it does not make any difference whether the business comes from east of the river, or whether it starts in St. Louis and goes out of the state. I think it would have the full use of the St. Louis terminals, and would have a partial use of at least one, and perhaps two or three more divisional points.

Q. Go on and explain what it is you mean?

A. Our figures indicate that the state business is handled less than 100 miles, considerably less than 100 miles on an average. Now that would not get on the average the use of the terminals at divisional points. In other words, if the divisional points are 100 miles apart, a large part of the state freight might not get the use of a divisional point.

I think, of course, the interchange is between the large cities and the smaller towns, generally speaking. But the interstate

8860 freight, according to Exhibit 19 in the Missouri Pacific case, and Exhibit 36 in the Burlington case, and the Frisco state-

ment, Exhibit 2, is handled more than 100 miles on the average; therefore, I think it would not all get the use of a divisional point in every shipment, but on the average you would have to figure that it gets the use of one terminal in the state, and of a divisional point.

Trans-state freight may get the use of three divisional points in the state.

Q. How is that?

A. Well, take freight coming from Ft. Smith, Arkansas, on the Frisco road, it would have to come to Monette, and from there to Springfield. I am assuming it is handled in through trains all the time. It would go from there to St. Louis. Now we found in working out the figures for those 24 through trains, that they did not run solid without breaking up, setting out and picking up cars. There was a good deal of that sort of business done. The engine cannot pull the same tonnage over a hilly division on the Frisco that it can over other parts of the division. It may take a much heavier load to a certain point than it could haul beyond there. And it does do it according to these 24 through train figures. So that, in a sense, would be the use of a terminal. That is, putting the cars on the side track, there they would stand waiting for another train, or, if they double the hill, leaving part of the cars on the side track, and go over the hill with part, and leave these at a certain place, and
8861 then come back and get the others. That has to be done sometimes. That is where the trains are heavy.

I am satisfied that the local trains are much lighter. I don't believe they are more than half as light. I think they carry half as much tonnage on the average, probably, as the through trains, but they are not so loaded that they cannot keep going. They do not have to double hills. They leave their loads sometimes, and pick up some that the others have left, and all that sort of thing. You load an engine up to its full rating, and sometimes when it gets out on the road it finds it cannot make the hill with that load. Perhaps some little thing has happened to the engine which impairs its efficiency. Then they have to take off some of those cars. Those things do not happen to the local train, or I mean it would be a rare occurrence.

So for those reasons I think when we double the cost per ton per mile on the terminal expense, we have put enough on the state business for that kind of expense.

Q. You think a portion, and perhaps a considerable portion of the interstate traffic, of which an illustration would be a shipment from Cincinnati to Springfield, has of course one terminal in the state at Springfield, but there is also a terminal expense on that shipment at St. Louis?

Q. Yes sir, and if it is less-than-carload business it has more use of the terminal than the shipment starting in St. Louis. That statement is based on our recent investigations.

8862 Q. But suppose it is a carload shipment?

A. Then it has to be taken off the transfer track, and put into the company's train, and it certainly gets a considerable use of the yard facilities, engines, switchmen, and all that sort of thing.

There is another thing, Mr. Ladd: you take the handling of cars at any point in fact that has any business at all, and a great many cars go in loaded, are unloaded and then come out loaded again. On the other hand a great many cars are loaded out that were not put in specially for that business. That is happening all the time. You cannot say that every shipment that starts from St. Louis, or any other point, that a car must be put in specially, because it does not happen.

Q. You mean by that the car is already there?

A. Many times. Much of the time. Any big concern is always unloading cars and loading cars.

Q. You mean a concern which has a loading track of its own?

A. That is served by the railroad track has the use of one.

Q. You mean it has a side track running up to it?

A. Yes.

Q. Is there anything more you want to say upon that question of station and yard expense?

A. That is all, I believe, that I can think of.

8863 Q. Now take the next item, which I believe is train and engine expense?

A. I think I covered that in a way, and then got back on the terminal. I did not mean to do it.

On the train and engine expense I have added 50% per ton mile on the state freight. That is because a larger part of the state freight is handled on local trains, than of the interstate. I mean a larger percent of the state freight is handled on the local trains than of interstate freight.

Q. There is more interstate freight handled on the local trains than there is state freight?

A. Yes sir.

Q. But a larger percentage of the state freight is on the local trains than of interstate freight?

A. I think that is true. I took exhibit 6, which represented the test on the Cotton Belt.

Q. That is the exhibit introduced in connection with Mr. Kimbel's testimony?

A. Yes sir. I substituted the figures that we got in this 48 train test on the Frisco (24 local trains and 24 through trains) and I used the cost per train mile shown in that exhibit, 36 cents for through trains, and 44 cents for local trains (being the movement expense only) and I found that basing my figures on the same number of through train miles as of local train miles, the extra cost on state business for train and engine service was 47%.

8864 I do not think it would be fair to compare the ton miles made by say 950 local train miles, with the ton miles made by 2600 through train miles. So I have reduced the ton miles on the through trains to the basis of 950 train miles, in order to compare them with the ton miles made in 950 miles of local trains. And in doing that, and taking the proportion of state and interstate tonnage, on the two classes of trains, as found by us in our Frisco examination, and following out Mr. Kimbel's method, and using his cost per train mile, which is much higher on local than on through

trains, I find that the train service is 1.47 times that of the interstate, or 47% more.

Q. Per ton mile?

A. Yes sir, per ton mile. My idea is that 50% per ton mile on state business over interstate is full high.

Q. Are those figures you have been giving there in shape to offer as an exhibit?

A. No sir.

Q. Could they be put in shape to offer as an exhibit?

A. Yes sir.

Q. Will you have that prepared?

A. Yes sir.

Mr. LADD: I will offer this paper in evidence.

The paper referred to is marked "Defendant's Exhibit No. 63".

Defendant's Exhibit 63 is in the words and figures following, to-wit:

8865 Q. This is based on Mr. Kimbel's exhibit No. 6, the Cotton Belt?

A. Yes sir.

Q. And what other one, Missouri Pacific, 19?

A. No sir. On the proportions of tonnage on through and local trains, as found by our examination on the Frisco.

Q. That we have not put in evidence yet, the results of that examination?

A. No sir.

Q. Based upon the cost of train and engine service per ton mile, is 47% greater in state than interstate?

A. Yes.

Q. That is the result of it?

A. Yes sir.

Q. Not quite ½ more?

A. Yes.

Q. Now about the other items under the head of "conducting transportation?"

A. I spoke of those before. My idea is that they would follow closely, although not in exactly the same way, the traffic and general expenses.

Q. They would be less then?

A. Yes sir, less on state than interstate, according to my idea.

8866 Q. You take station and yard service, train and engine expense, and you allow more for the state traffic than you do for the interstate?

A. Yes sir, twice as much on station and yard service, and 50% more on train and engine service.

Q. And all the rest of those items, or practically all the rest, under the head of conducting transportation, or transportation expenses, you do not charge as much against the state traffic, as you do against interstate: is that right?

A. That is correct.

Q. What is the next one?

A. General Expenses.

Q. What do you say about that?

A. I think they would be much less per ton mile on state freight than on interstate freight.

Q. Have you given all the reasons for your estimate, that the handling of the state freight will cost from 20% and not more than 50% than the interstate freight per ton mile?

A. Yes sir.

Q. All you can think of?

A. Yes sir.

Q. You have been led to this opinion in some cases by actual tests, among other things, have you?

A. I will hardly say I have been led to it. I arrived at this.

Q. You are fortified?

8867 A. Yes, fortified is a better word.

Q. Take in the case of the Missouri Pacific, or the Burlington, or the Frisco, since that has been investigated, a good deal has been said here about the expense of handling less-than-carload freight; that is package freight, one parcel for this man and another for another man, and so on; all put into one car, and every piece has to be handled; what proportion of the whole freight handled is this less-than-car-load freight, which is rather expensive to deal with?

Have you the figures on the Frisco?

A. No sir?

Q. Does their statement show it?

A. No sir, their statement does not show that.

Q. Have you any figures on the Frisco?

A. I have those same figures on the Burlington and Missouri Pacific.

Q. Have you them on the Frisco?

A. No sir.

Q. After an exhaustive examination by you and the Burlington accountants, what was the proportion of this less-than-carload freight of the entire freight handled by that company during the month of September, 1906?

A. I will have to work that out.

Q. I thought you had that right there?

A. No sir, I have here the figures for the Burlington and Missouri Pacific combined, as showing average conditions.

8868 Q. I wish you would take the Burlington?

A. If I understood your question, it was what part of the state business was less-than-carload, and what part of the interstate business was less-than-carload.

Q. What part of the entire freight business is less than carload?

A. In tons?

Q. In tons or in ton miles. Can't you work that out from that?

A. The less-than-carload part of all the business was 5.63%.

Q. Is that the less-than-carload, state and interstate?

A. Yes sir.

Q. The whole less-than-carload business was what, did you say?

A. 5.63%.
Q. Of the total freight in tons?
A. Yes.
Q. In tons?
A. Yes.
Q. What was it of interstate?
A. 6.1 per cent.
Q. Can you give there the percentage in tons of the less-than-carload state freight, of all state freight?
A. 1.32%.
8869 Q. Only 1.32% of the entire freight was state less-than-carload?
A. Yes sir.
Q. Is that right?

Mr. HAGERMAN:

Q. From what exhibit are you taking those figures?
A. Exhibit 36 in the Burlington case. 1.32% of all freight, both state and interstate, was state less-than-carload.
Mr. LADD: 1.32% of all the freight handled, both state and interstate, was state less-than-carload: is that right?
A. Yes sir.
Q. What per cent of the entire state freight handled was less-than-carload?
A. On the Burlington line I haven't it. On those combined figures I have that worked out.
Q. On the Missouri Pacific and Burlington figures put together?
A. Yes sir.
Q. Put them together then?
A. Putting them together it shows that the less-than-carload part of the state business on a tonnage basis was 7.45%.
Q. Of the entire state business?
A. Yes sir.
8870 Q. What was it on the ton mile basis, have you that?
A. No sir, I haven't it worked out.
Q. About 7%?
A. It would be a little more I think than on the tonnage basis.
Q. I think I have asked you, but I have forgotten what the answer was, and so I would like to repeat the question: what percentage of the entire business was less than carload?
A. 7.45%.
Q. That is on the Burlington.
Mr. HAGERMAN: Haven't you figures there on the ton mile basis? Mr. Johnson thinks it is between 12% and 13%?
A. I can work it out. I did this in trying to find the number of cars required to handle the business.
Mr. LADD: When you answered 7% was that on the Burlington?
A. It was on the Burlington and the Missouri Pacific combined.
Q. Can you give it to me for the Burlington alone?
A. I can work it out.

Q. The percentage of less-than-carload freight of the entire state freight?

A. It is slightly less than 10%.

Q. That is in tons?

A. Yes sir, in tons.

8871 Q. Can you tell what it was in ton miles?

A. About 12%.

Q. So that 90%, a little over 90%, of all the state freight hauled on the Burlington road in the state of Missouri, during the month of September, 1906, was in car-load lots: is that right?

A. Measured in tons, yes.

Q. How was it on the Missouri Pacific during the month of October, 1905?

Mr. HAGERMAN: I don't know what you mean, Mr. Taliaferro, by "measured in tons"?

A. As distinguished from ton miles, that is all.

Mr. SPENCER: Or car-load lots either?

Mr. HAGERMAN: How did you ascertain it? Did you take the total number of cars, or take the total tons, and make the division?

Mr. LADD: You have the tons right there on the statement?

Mr. HAGERMAN: But how is it distributed?

A. On Exhibit 19. We took no account of how the business was handled. We went to the records, the way-bills, and classified all the state tonnage between carload and less-than-carload and all of the interstate tonnage between car-load and less than car-load, and we footed up the tons and worked out the ton miles.

8872 Mr. LADD: Take it on the Missouri Pacific, for the month of October, 1905, what percentage of the entire state traffic, in tons, was less than car-load?

A. (After figuring:) Between 6% and 7%.

Q. Between 6% and 7%?

A. Yes sir.

Q. So that over 93% of the entire state traffic on the Missouri Pacific during that month, was in car-load lots, was it?

A. Yes sir.

Q. And the small quantity of 6% or 7% in less-than-carload lots?

A. Yes sir.

Q. You have already stated (I cannot carry the figures very well, but I think that is correct) that something over 90% of the state freight tonnage is in car-load lots, am I right about that? As shown by either the Burlington or the Missouri Pacific Exhibits, 19 and 36?

A. Yes sir, It is more than 90%, considerably more on the Missouri Pacific, and slightly less on the Burlington?

Q. I think it was over 93% on the Missouri Pacific?

A. About 90%.

Q. I think it was between 93% and 94%; if it was between 6% and 7% of interstate less-carload lots, then it would be between 93% and 94% in car-load lots?

A. Yes sir.

8873 Q. I wish you would look at Exhibits 41 and 42, already introduced in evidence, in connection with the testimony of

Mr. Peabody, which represents the business of the Santa Fe on the main line for certain periods of a few days each, in the latter part of this current year, 1908, in November and this month too, and from those exhibits state the percentage of the state ton miles carried on through trains?

A. I have given that, Mr. Ladd?

Q. What is it?

A. 68.8%.

Q. And on Exhibit 42?

A. 67.5%.

Q. What, if you know, is the difference in the treatment of less than carload interstate freight, and less-than-carload state freight, say state freight originating at St. Louis, and destined to Springfield, and the interstate less-than-carload freight, originating East of St. Louis, say at Cincinnati, and also destined to Springfield: in the first place how does the state less-than-carload freight, which originates at St. Louis, get into the hands of the railroad company?

A. I think I know, but Mr. Hamilton can answer that much better than I can, as he made a personal investigation.

Q. Then I will leave that for him.

Take Mr. Peabody's exhibits 41 and 42, which we had before us a moment ago, showing the operations on the main line for several days in November and December of this year, and state if
8874 you have cast from those figures certain percentages showing the relations between the different kinds of freight, and give the result of it. Take Exhibit 41, for instance?

A. Of the state ton miles, 68.8% were handled on through trains, and 31.2% on local trains. Of the interstate ton miles, all interstate, 97.4% were handled on through trains and 2.6% were handled on local trains. Of the tonnage handled by through trains, ton miles, 98.7 per cent were interstate, and 1.3% state.

Of the ton miles made by the local trains, 81.4% were interstate, and 18.6% were state.

Q. That is Exhibit 41?

A. Yes sir.

Q. Have you reached like results from Exhibit 42?

A. We have the same percentage, yes.

Q. Give those.

A. Of the state ton miles, the through trains handled 67.49%, and the local trains handled 32.51%.

Of the interstate ton miles the through trains handled 97.1%, and the local trains handled 2.9%.

Of the ton miles made by through trains, 99.1% were interstate, and 9% were state.

Of the ton miles made by the local trains 85.3% were interstate, and 14.7% were state.

May I say something more about the Frisco examination?

8875 Q. Proceed?

A. 24 local and 24 through trains——

Q. When was that done, just explain what that was?

A. It was done after the hearing here in November, but it related to the business of July 17, 1907.

Q. Where did you get your information?

A. From the company's papers and records at Springfield.

Q. That is for 24 local trains and 24 through trains?

A. Yes sir.

Q. On the same day?

A. Yes sir, and over the same track—no, that is not true some of those local trains ran on branch lines.

Q. You had 24 local trains: was that all the local trains that ran over those tracks at all on that day?

A. Yes sir.

Q. And you had 24 through trains: were those all the through trains that ran over those tracks at all on that day?

A. No sir, that is what I am coming to.

Q. How many through trains were there?

A. 57.

Q. The reason you did not take the 57 was because you did not have time, was that it?

A. Yes sir.

Now for the 24 through trains——

Q. Let me ask you now, because I don't know whether it
8876 makes any difference or not, were those 24 selected out of the 27 with any view of what they would show, or didn't you know what they would show until you got at them?

A. I am assured by Mr. Hamilton they were taken because that was supposed to be an average day in the freight business, and for no other reason.

Q. Those particular 24, out of the 57 through trains, were they selected with any idea of producing a favorable result that the whole 57 would not produce?

A. No sir, we took the local trains over the main line to Monett and toward Memphis, and on some branches. We took the through trains on the main line to Monett and toward Memphis. For the 24 local trains, we divided the car-load tonnage between state and interstate. As stated before, we did not divide any of the less-than-carload tonnage between state and interstate.

The ton miles made by the 57 through trains——

Q. 24 you mean?

A. No sir, the 57 through trains were run, but we separated the tonnage between state and interstate for only 24 out of the 57. We have the total tonnage of all the 57 undivided.

Q. The total ton miles?

A. Yes sir. The total ton miles made by the 57 trains was 1,-
527,066. If the ton miles of all the 57 trains had been di-
8877 vided, or were in the proportion as to state and interstate, shown by the figures for the 24 through trains——

Q. You did divide the 24?

A. The carload part of them, yes.

—then the through trains would have carried 71.6% of all the state ton miles, and 94.4% of all the interstate ton miles.

Q. Proceed.

A. I just want to add that to our statement, because the other figures I gave were for only part of the through trains. I did not consider those figures as being actual, of course, for any other trains or for any other days. But it shows that a great deal of the state business is handled on through trains, and that a large part of the tonnage of local trains is interstate business.

Mr. HAGERMAN: But in these figures you did not separate the state and interstate as to less-than-carload lots?

A. No sir, I did not *to* that at all.

Mr. LADD:

Q. But on those 57 trains, 75% of the ton miles, was what? 75% of the total state ton miles was carried on those 57 trains?

A. 71.6%.

Mr. HAGERMAN: That is if the 24 trains were representative?

A. Yes sir, that is what I was going to add.

8878 Q. As I understand you applied the proportion ascertained by the 24 trains, to the total number of ton miles of the 57 trains.

A. Yes sir.

Mr. LADD: Is there anything else you want to mention about that, Mr. Taliaferro?

A. I think that is all about that.

Q. Have you prepared an exhibit following partly the lines of complainant's exhibit 2, and taking the figures shown in that exhibit to a certain extent?

A. Yes sir. I have prepared such an exhibit.

Mr. LADD: I will offer in evidence this paper referred to by the witness.

The paper indicated is marked defendant's exhibit 64.

Defendant's Exhibit 64 is in the words and figures following, to wit:

8879 Q. You have recited in Exhibit 64 that Complainant's Exhibit 2 shows the revenue on state freight to be $577,192.84, and on interstate $2,214,002.82. This is for a three months' period. Their exhibit shows the amount of the miscellaneous freight earnings, doesn't it?

A. Yes sir.

Q. But not divided between state and interstate?

A. That is correct.

Q. In this exhibit 64 you have undertaken to divide them?

A. Yes sir.

A. On what basis?

A. On the basis of the state and interstate freight revenue. That is, from the movement of freight.

Q. And dividing in that way, you assign $17,953.25 as miscellaneous state freight earnings; is that right?

A. Yes sir.

Q. And $68,861.32 as miscellaneous interstate freight earnings?
A. Yes sir.
Q. Then you add those miscellaneous state freight earnings and interstate freight earnings respectively, to the figures given in Complainant's Exhibits, producing total state earnings of $595,146.09, and total interstate earnings $2,282,864.14: that is right, that is what you have done?
A. Yes sir.
8880 Q. That latter part is your work, the adding of those sub-divisions?
A. Yes sir.
Q. You take the amount of the total freight earnings from their Exhibit?
Q. Yes sir.
Q. And from that you deduct taxes and rentals amounting to—I don't know how much, but after deducting them it leaves $1,776,902.28, as the total freight expenses in the state for that period: is that right?
A. Yes sir.
Q. Then you add to those expenses an item of $25,910.98 for hire of equipment, which they had dealt with in another way, but which is as broad as it is long?
A. Yes sir.
Mr. HAGERMAN: Let me see if I understand that.
In our account, that being a net result, it is included neither in earnings or expenses, and therefore just wipes itself out. You put it in here and then take it out?
A. Yes sir.

Mr. LADD: You do not include that expense in your miscellaneous freight expenses. You just deduct it from the miscellaneous freight earnings?
Mr. HAGERMAN: We deduct it on the theory that one off-
8881 sets the other. You put it in one place and then take it out of the other.
Mr. LADD: He puts it in the expenses, and deducts it from the earnings. The result is the same, and in that way your total operating expenses reach the sum of $1,802,813.26.

Q. It figures larger than theirs, reached in that way?
A. Yes sir, larger than theirs, after leaving out taxes and rentals.
Q. You divide those particular operating expenses in the first place between state and interstate, on the basis of the respective ton miles of each?
A. Yes sir.
Q. Where do you get the ton miles of each, from their exhibit 2, toward the end of the exhibit the ton miles are given are they?
A. Yes sir.
Q. And apportioned in that way the state expenses are $236,168.61, and the interstate $1,566,644.65?
A. Yes.
Q. In the first place you divide the total expense of $1,802,813.26

between state and interstate freight business upon the basis that it costs 30% more per ton mile for state than interstate, do you?

A. You said "in the first place." That is the second calculation, after we find the total operating expenses.

Q. First you divide it on the basis of ton miles?

A. Yes sir.

8882 Q. And in the next place on the basis that it costs 30% more per mile to handle the state than the interstate freight, then your state freight business costs $295,300.81: is that right?

A. Yes.

Q. If you divide the expenses upon the basis that the state freight costs, per ton mile, 50% more to handle than the interstate, then your state freight expenses are $332,438.76?

A. Yes.

Mr. HAGERMAN:

Q. That division as between state and interstate, on the basis of ton miles, what were the respective percentages?

A. 13.1 and 86.9.

Mr. LADD: You have summarized that, and on the basis that the expense of handling is equal, the same amount per ton mile, what were the net earnings on the state business?

A. $358,977.48.

Q. On the basis that the expense was 30% more on the state business per ton mile than on the interstate, what would the net result be?

A. $299,845.28.

Q. And upon the theory that it costs 50% more per ton mile to handle state freight than interstate, what would the net earnings be?

Q. $262,707.33.

8883 Q. Upon page 3 of the exhibit, what have you done? You have done something here with the rentals?

A. We have excluded that part of the rentals which cover the 4% dividend on the Kansas City, Ft. Scott & Memphis Railroad Trust Certificates.

Q. Did you also exclude the taxes?

A. Yes sir, we did that on page 1, but we are adding them back now.

Q. On page 1 you were dealing with rentals amounting to $63,197.77: isn't that the Ft. Scott rental?

A. That included the Ft. Scott rental. Now we deduct this on page one.

Q. From the operating expenses?

A. Yes.

Q. The company had included that item?

A. Yes sir. Now we are deducting the taxes, and so much of the rental as did not cover that dividend.

Q. Well?

A. We are also deducting the diminution in revenue.

Q. That is on page 3?

Q. Yes sir, the diminution in revenue which the company claims

it would have suffered if the law of 1907 had been in effect. That leaves the balance applicable to the value of the property.

Q. What does that mean?

8884 A. It leaves an amount applicable to a return upon the property. That might have been made fuller.

Q. $338,312.24 is the net earnings on that basis?

A. Yes sir. It is the earnings less the operating expenses, and also less the rentals, taxes, and diminution in revenue.

Q. Upon page 3 of Complainant's Exhibit 2, there is an assumption based on the assessment of the property by the State Board of Equalization, that the company is entitled to a return upon 14.38% of the total valuation of its property. Now do you understand that to be that portion of the entire property which is employed in earning the state freight revenue?

A. Yes sir.

Q. That percentage is not figured out, but the interest upon that at the rate of 6% is said to be $132,000.

Now how much net revenue upon the different bases you have adopted here, or which you have suggested, remains to meet that $132,000, upon the various assessments?

A. On the even cost basis $338,312.24. On the 30% extra cost basis $278,180.04. On the 50% extra cost basis $242,042.09.

But those figures result from including the miscellaneous freight earnings.

Q. I understand. I was going to ask you about that.

The miscellaneous freight expenses are indicated in the company's statement of its expenses, are they not?

8885 A. Yes sir.

Q. But the miscellaneous freight earnings are not included in the company's statement of the freight earnings?

A. They are not divided between state and interstate.

Q. They are not divided, but they are not included in the calculation at all. When the company says it is entitled to a return upon 14.30% of the total value of its property, that means that the state freight earnings, exclusive of all the miscellaneous freight earnings, are 14.38% of the total earnings: isn't that it?

A. Yes sir. But including the miscellaneous freight earnings, it is 14.69%.

Q. You have included the miscellaneous freight earnings?

A. Yes sir.

Q. And including that your freight earnings instead of being 14.38% are 14.69%: is that right?

A. Yes sir.

Q. That 14.69% part of the entire value of the property should be dealt with as having earned your statement of earnings that is right, isn't it?

A. We have so dealt with it here. I do not know how the value of the property ought to be divided.

Q. But that is the way they have divided it, and following them up, the value of the property would be somewhat greater and,

8886 therefore, their item of $132,091.26 would also be somewhat increased: can you tell what that would be, the interest item at 6%?

A. It would be very small. The difference is only a part of one per cent. 14.38 against 14.69.

Q. Would $5,000 cover it, just off hand?

A. I think that is too much, but I cannot do it off hand. You mean how much would be added to the figure representing this 6%?

Q. Yes.

A. I cannot do that.

Q. Suppose you call that $132,091.26, would it be fair, is it entirely safe to say, that that would be increased to $135,000? That is an increase of about $3,000 on account of that difference in percentage?

A. I think so, yes.

Q. I wish you would take $135,000, and deduct from it 18.6%, I think it is, which is the percentage of the whole assessment which the franchise assessment bears, and see what you have left?

A. (After figuring:) $109,890.00.

Q. And you have to compare it with $338,000, or $278,000, or $242,000, as one or the other of your allowances, for extra cost, or percentage of allowance for extra cost, may be correct: is that right?

A. I do not think they would have $338,000 under any circumstances. I think it costs more.

8887

Q. You don't think the cost is the same?

A. No sir.

Q. You think it is 20% to 50% more: that is your opinion?

A. Yes sir.

Q. But at 30% it would be $278,000, and at 50% $242,000 with which to meet a six per cent return, amounting to $108,000?

A. Yes sir, $109,890.00.

Q. If a return upon the value of the franchise is not to be allowed?

A. Yes sir.

Q. You have added to the passenger earnings, as shown by the company's statement, these miscellaneous passenger earnings, composed of mail, express and extra baggage. The- excluded them entirely; Now do you think it is fair to add those to the earnings from passenger fares, from just transporting the passengers, and if you do, tell us why?

A. I think, Mr. Ladd, it is more correct to divide those miscellaneous earnings on some basis, and add them to the passenger revenue, than it is to try to exclude from the passenger expenses, some figures which would represent the expenses of getting those miscellaneous earnings.

I would not know at all how to separate and exclude the ex-
8888 penses incident to the getting of these miscellaneous earnings.

Q. Those expenses are, however, excluded from the operating expenses, in the company's statement, aren't they?

A. Yes sir.

Q. Those earnings are not included in the expenses shown by the company's statement?

A. Well, the company does not divide either the expenses or the miscellaneous earnings between state and interstate, but they are in the statement.

Q. I understand that. But when they deal with the matter of expense in earning the passenger revenue, do they or do they not include in that expense, the cost of earning these miscellaneous passenger earnings?

A. They do on page one of Exhibit 2.

Q. That is what I mean?

A. Of course in making their calculations later on they eliminate a part of those expenses on the earnings basis.

Q. Now why is it fair to add those earnings of that peculiar kind to the passenger earnings: is it because the passenger train earns them?

A. Yes sir, that it my reason.

Q. Those earnings are all earned by passenger trains?

A. Yes sir, and for the still further reason you cannot separate the expenses—I cannot.

8889 The COURT: Let me see if I understand you: You say they exclude the earnings?

A. They have not attempted to divide the miscellaneous——

Q. You have answered that two or three times. Mr. Ladd asked you that twice, and you answered something about a division. Why can't you answer that? Mr. Ladd asked you that twice?

A. They have not excluded the earnings in the sense that they have kept them out, and improperly charged the other business with the expense.

Q. They either do or they do not; which is it?

A. They have left them out of their calculations, upon which they found a return upon the property, and in doing that they have left out part of the passenger expenses; but they have had to leave out those passenger expenses on the basis of the miscellaneous earnings to the passenger earnings.

Mr. HAGERMAN: Is that fair to us, what you did in that tabulation? Every dollar we earn from freight——

Mr. LADD: Well, Mr. Hagerman——

The COURT: You asked him twice, Mr. Ladd, and he did not answer you, and then I asked him the question, and he has not answered me.

Mr. LADD: I do not object to the Court asking the question.

Mr. HAGERMAN: You don't mean to give the impression you are conveying to my mind, Mr. Taliaferro?

8890 A. I certainly don't mean to convey the impression that anything improper was done in those figures. I mean, instead of trying to find how much of the passenger expenses should be put against the earnings from the carrying of passengers, I have preferred to leave——

The COURT: Let me ask you a plain question. Mr. Ladd asked you twice, and you at once branched off by talking about divisions. This question is answerable by yes or no, that Mr. Ladd asked you. He said they did charge up the expense of running those trains.

Then Mr. Ladd asked you twice whether or not they accounted for the earnings of those trains. Now I do not say this to criticise you, Mr. Taliaferro, but it looks to me like that question should be answered yes or no. Do they account in their earnings for the miscellaneous earnings?

A. I——

Q. No, just answer it yes or no?

A. I don't see how I can answer it yes or no.

Mr. LADD: Answer it the best way you can. There seems to be some confusion here. I don't understand it myself.

A. These passenger expenses——

Q. Take this exhibit. Perhaps that will help you and the Court too?

A. These passenger earnings——

8891 Mr. HAGERMAN: Now take the question the Court is asking about; in our statement we give not only the earnings from freight and passenger business, but also from mail, express and miscellaneous.

The COURT: Mail, Express and baggage?

Mr. HAGERMAN: Mail, express and miscellaneous?

A. The Passenger expenses on page one——

Mr. HAGERMAN: We are talking about earnings.

The COURT: It is stated, Mr. Taliaferro, by you and Mr. Ladd and Mr. Hagerman that the- are expenses *are* charged up. Now we are talking about earnings from miscellaneous business, mail, express, baggage, etc., aside from passengers?

A. They are in the statement. But in making their calculations——

Q. They are in the statement?

A. Yes sir.

The COURT: That is all I wanted to know.

Mr. HAGERMAN: All I wanted was to make it perfectly plain. Now I am willing that he shall explain anything he wants to.

Mr. LADD: The amount of the miscellaneous earnings is included in the statement?

A. Yes sir.

Q. That is, it is shown what they were: that is what you mean to say?

A. Yes.

8892 Q. If they had not been included in the statement, that is if they had not been shown on the statement as miscellaneous earnings, you never would have been able to apportion them at all, because you would not know what the total was? There has been no claim that the miscellaneous earnings were entirely excluded from the statement, because that is our only source of information for that.

Of course I want to have the matter made entirely clear to your honor.

The COURT: I understand, I think.

Mr. LADD: Mr. Hamilton has suggested something to me, I don't know whether it will make it any clearer or not. The company's

statement does show the amount of the miscellaneous passenger earnings we call it. That is where we got the amount. But the company's statement says that a certain percentage of the total value of the property is that portion of the property on which they are entitled to a return out of the passenger earnings. They undertake to separate it. That percentage is the percentage which the passenger earnings bear to the total earnings of every kind. Now when they reach that percentage, 14.92%, I believe it is, and then say, we want a return on 14.92% of the whole value of the property, in that 14.92% is not included any part of these miscellaneous passenger earnings, the amount of which had already been stated in a previous part of the statement. That is to say fares, if I may take that word to represent every thing. They say we got $10,000
8893 from fares paid by passengers, and that is 1/10 of our total revenue, and therefore we are entitled to a return on 1/10 of the total value of the property.

Mr. Taliaferro has followed them that far, but he has added to these sums paid by the passengers, a certain proportion of the miscellaneous passenger earnings. That is what has been done, and he said that that was fair.

I don't know whether that makes it clear.

The COURT: I understand your contention, and I think I understand Mr. Hagerman's.

Mr. LADD: Whether it is right or not is another question.

Mr. HAGERMAN: The Supreme Court of the United States and Judge Vandeventer both said, when you come to charge the interest the company has to pay, or when you come to figure the return you have to get upon the value of the property, upon certain classes of traffic affected by the Act, you get such proportion of the entire value of the property as is represented by that portion of the business, and get your return upon that.

Mr. LADD: That is what you undertook to show in this statement?

Mr. HAGERMAN: Yes, that is what we undertook to do, and that is exactly what we have done.

You can take this whole thing, take all your passenger business, state and interstate, mail, express and everything else, and
8894 there is a loss on it, an absolute loss.

Mr. LADD: We can talk about that some other time.

Mr. Taliaferro has put in typewriting a general statement of his views, and I think I would like to have him read it, and then I want to introduce it in evidence.

The witness' statement referred to was here read.

Mr. LADD: I will offer this paper in evidence.

The paper referred to is marked Defendant's Exhibit 65.

Defendant's Exhibit 65 is in the words and figures following, to-wit:

8895 The usual hour for adjournment having arrived, the further hearing of testimony herein is adjourned until Wednesday, December 23, 1908, at 9 o'clock a. m.

KANSAS CITY, MISSOURI, *December* 23, 1908.

Met pursuant to adjournment as above, on Wednesday, December 23, 1908, at 9 o'clock in the forenoon.

Present parties as before.

The following proceedings were had.

Direct examination of A. P. TALIAFERRO.

Continued by Mr. LADD:

Q. I have in my hands a statement is pencil prepared by you, illustrating the cost per ton mile of handling freight on the Frisco Road, on various theories: did you prepare this paper?

A. Yes sir.

Mr. LADD: I will offer this paper in evidence.

The paper referred to is marked Defendant's Exhibit 66.

Defendant's Exhibit 66 is in words and figures as follows to-wit:

8896 Q. I find here in the first column the total in dollars $1,802,813.21.

Now where did you get those figures?

A. They are the freight operating expenses for the three months ending September 30, 1907, plus hire of equipment $25,910.98, and——

Q. Freight operating expenses as shown by the Frisco's Exhibit 2. Is that what you mean?

A. Yes sir. Those figures do not include taxes or rentals.

Q. What figures do not?

A. The totals on this Exhibit 66.

Q. You have added to the freight operating expenses, as shown by the Frisco Company's Exhibit 2, the item "hire of equipment" $25,910.98, and have deducted "rentals and taxes?"

A. Yes sir.

Q. That leaves $1,802,813.21 your total in this first column; is that right?

A. Yes sir.

Q. This first column is made up of then different items of expense, allotted to the different branches of the freight service. The first item $333,481.87, is that taken from the Frisco Company's Exhibit 2?

A. Yes sir.

Q. The second item, maintenance of equipment, is that taken from the company's Exhibit 2?

8897 A. Yes sir.

Q. Just as it appears here?

A. Yes sir.

Q. What was the item, traffic expense: is that taken from the same exhibit?

A. Yes sir.

Q. In the Frisco Company's Exhibit 2, has the item of transportation expenses been divided, or has it been put in in a lump sum?

A. It has been put in in a lump sum.

Q. Under the head of transportation expenses, in the first column of your exhibit 66, I see you have divided that into five items: station, yard, train, engine, and other service: now do those five items make the total of the one item in the Frisco Company's Exhibit 2, under the head of transportation expenses?

A. Yes.

Q. Now will you please tell me how you divided those five items. Where you got the figures beside those five different items?

A. They were taken from the company's books when we checked up the statement.

Q. And the total of them is the same as the item allotted to transportation expenses, in the Frisco Company's Exhibit 2?

A. Yes sir.

Q. But these divisions of these figures you took from the
8898 company's books?

A. Yes sir.

Q. General expenses, I suppose, is the same as on the company's exhibit 2?

A. Yes sir.

Q. And hire of equipment, is that the same?

A. No sir, that was deducted from the miscellaneous freight earnings, in the company's exhibit.

Q. Where did you get that sum, $25,910.98?

A. From the company's books.

Q. And you added that to the expenses?

A. Yes sir.

Q. The Company offset that expense against certain earnings. That is, they deduct that from the earnings, and made the earnings that much less?

A. Yes.

Q. You added it to the earnings, and also added it to the expenses, as you have done in this exhibit 66?

A. Yes sir.

Q. That first column shows a total expense of freight operations, both state and interstate, undivided: is that right?

A. Yes sir.

Q. You have a heading for your second and third columns as follows: "On ton mile basis" and then under that in the
8899 second column "state" and in the third column "interstate," and all your figures are under "state."

Now upon what basis is that expense divided, and $236,168.56 allotted to the state traffic for these expenses?

A. That is a division on a flat ton mile basis. The state ton miles were 13.1% of all the ton miles, and those figures are 13.1% of the total column.

Q. The interstate ton miles, and the state ton miles, the number of them, are shown on company's exhibit 2, aren't they?

A. Yes.

Q. And that first division is on the basis that each ton mile cost the same as each other ton mile: Is that right?

A. Yes sir.

Q. And it is divided on that basis?
A. Yes sir.
Q. The state ton miles are 13% of the total freight ton miles?
A. Yes sir.
Q. And upon that basis the state expense would be $236,168.56?
A. Yes.
Q. And the interstate would be the balance of it: that is right, isn't it?
A. Yes sir.
8900 Q. Suppose the state traffic cost four times as much per ton per mile as the interstate, how would that total expense be divided? How much would be to state?
A. 37.62%.
Q. How much would be allotted to the state?
A. $678,218.33.
Q. And how much to interstate?
A. $1,124,594.88.
Q. That is upon the basis of the state ton miles costing four times as much as the interstate.
A. Yes sir.
Q. Those two columns we have referred to are the 5th and 6th columns?
A. Yes sir.
Q. You have some percentages shown here, what does that mean?
Q. Those are the per cents upon which the total operating expenses have to be divided, if the state ton miles cost four times as much as the interstate.
Q. In the next columns, the 6th and 7th, you have made an estimate of the cost per ton mile, if the cost per ton mile was four times as much for transportation expenses, and for all the other expenses, on state than interstate, and on the basis that the cost of state and interstate per ton mile were equal: is that right?
A. Yes.
8901 Q. What does that amount to?
A. Upon that basis the expenses chargeable to state freight would be $501,722.92, and to interstate $1,301,090.29.
Q. What would be the cost per ton mile of the state on that?
A. 1.5122 cents.
Q. And how much the interstate?
A. 5.912 mills.
Q. Go back to the theory that it costs four times as much per ton all around to haul state as interstate freight: how much per ton mile would that be on the state freight, according to this fourth column?
A. 2.044 cents.
Q. And how much for the interstate?
A. 5.11 mills.
Q. In your next two columns, your figures are based upon the proposition that the state freight per ton mile costs 25% less for traffic and general expenses, and 100% (that is twice as much is it) for station, yard and engine expenses, and that all the other expenses cost the same per ton mile: is that right?
A. Yes.

Q. What is the cost of the state traffic on that basis?
A. 9.650 mills.
Q. And the interstate?
A. 6.737 mills.
8902 Q. How much greater per cent per ton mile according to that, is the cost of the state traffic than the interstate?
A. 43.22%
Q. You- next two columns are upon the basis of the state freight costing per ton mile 25% less for traffic and general expenses, and 100% more, or twice as much, for station and yard expenses, and 50% more, or half as much more, for train and engine expenses, than the interstate; and that the other expenses are the same per ton per mile: is that right?
A. Yes sir.
Q. How much does that bring out the cost per ton per mile of handling the state freight?
A. 8.852 mills.
Q. And the interstate?
A. 6.858 mills.
Q. You have one more, upon the theory that the state traffic costs 25% less per ton per mile for traffic and general expenses 100%, or twice as much, for station and yard expense and 25% more for train and engine expenses, than the interstate: upon that basis what is the cost per ton per mile for handling the state freight?
A. 8.45 mills.
Q. And the interstate?
A. 6.918 mills.
Q. Your last calculation is, what is the extra cost in percents of doing the state freight business: what does that show?
8903 A. 22.15%
Q. Upon the next to the last proposition what is the extra cost?
A. 29.07%.
Q. Which of those do you think is nearest right?
A. The next to last, or the 29.07% is the nearest figure in my mind, to a correct figure.

Cross-examination.

By Mr. HAGERMAN:

Q. I would like to know a little, Mr. Taliaferro, about your individual experience. I don't care anything about Haskins & Sells; what we are more interested in is the man who is testifying, representing Haskins & Sells.
Your railroad experience began when?
A. I think on June 14, 1886.
Q. What age were you then?
A. 14.
Q. What position did you occupy?
A. I was in the motive power shops of the Norfolk & Western, at Roanoke, Va.

Q. For how long?
A. Six months.
Q. What was your position in that department. You could
8904 not have been much more than a messenger boy?
A. That was about it.
Q. What was your next position?
A. I went from there to the office of the Master Mechanic as messenger boy.
Q. How long did you stay there?
A. About six months.
Q. That was 12 months as messenger boy: what was your next experience?
A. I went to the office of the Superintendent of Motive Power.
Q. What position did you occupy there?
A. Messenger, at first.
Q. For how long were you messenger?
A. I don't recall, Mr. Hagerman, but I think probably nearly a year.
Q. Then you went to what position?
A. I went to the office of the storekeeper as clerk.
Q. What was your age then?
A. I was about 16, but I do not recall these dates exactly.
Q. I am not saying this to your discredit, Mr. Taliaferro, because any boy who starts out at 14 is entitled to all the credit in the world.
At 16 you went to the office of the storekeeper as messenger boy?
8905 A. I went into that office as clerk. I was there about six months.
Q. And then where did you go next.
A. I went back into the office of the Superintendent of Motive power.
Q. What did you do there?
A. I went there as a clerk, but in the meantime I had learned shorthand, and I acted as his stenographer.
Q. And your position in the office of the Superintendent of Motive Power was as stenographer, and attending to everything connected with that part of the work?
A. Not all the time. Afterwards I was made stenographer to the Superintendent of Motive Power, personally, and once for a period of at least two months, I acted as Chief Clerk when the Chief Clerk was sick.
Q. What period did that cover?
A. Some time between the ages of 16 and 19, I was in the office of the Superintendent of Motive Power, because I left there when I was about 19, and went into the Traffic Department.
Q. You have described in a general way what your duties were, and what your work was up to the time you were 19 years of age?
A. Yes sir.
Q. Beginning with 19, what was it from that time forward?

A. I went as Private Secretary to the Vice-President in
8906 charge of traffic.

Q. Of what road?

A. The Norfolk & Western.

Q. How long did you remain with him?

A. Between three and four years.

Q. And your position there was what, stenographer or private secretary to the Traffic Manager?

A. Yes sir, while he was on the Norfolk & Western.

While I was with him he went to the Philadelphia & Reading Road.

Q. He was there a few months, and came back?

A. He was there only a few months, and I was his only man there, and did everything. He left but I staid on with the Reading in the General Freight Agent's office.

Q. What position did you occupy there?

A. I was stenographer, and more or less Chief Clerk, and had something to do with the rates.

Q. That experience took you from what age, covered what period of time?

A. I was nearly 22 then?

Q. What was your railroad experience after that?

A. I went back to the Norfolk & Western at Roanoke.

Q. In what position?

A. I wrote shorthand for the General Freight Agent for a time.

Q. Do you know how long?

8907 A. A few months.

Q. Then what occurred?

A. I was made a rate clerk.

Q. Under whom?

A. I was in what is known as the "rate room."

Q. How many rate clerks were there in your crowd?

A. I think there were 12 or 15.

Q. You were one working party, practically, with them?

A. Yes.

Q. What was your next experience?

A. I went from there to the Chesapeake Railroad at Harrisburg, Va.

Q. How long a road was that?

A. 26 miles.

Q. What position did you occupy with that road?

A. I did everything there; all kinds of work.

Q. It was not enough of a road to stand for many people, or officers?

A. No sir.

Q. How long did you stay there?

A. I remained there about four years. And of that time I was Superintendent for two years.

Q. Then what did you do?

A. I went out to two little roads in Western Virginia as Superintendent.

Q. How long did you stay there?

8908 A. Just a year.

Q. When did all that experience end?

A. That ended in February, 1902.

Q. What was your age at that time?

A. I was about 27.

Q. Now that completes your railroad experience, does it?

A. Yes sir.

Q. And the rest of the time you have been auditing and doing accounting work in the way in which you have spoken?

A. Yes sir, but I have been into the accounts of a good many railroads, of course.

Q. And you have been into a good many accounts in these cases, haven't you?

A. Yes sir.

Q. As I recall that, you testified in the hearings under the Act of 1905, in the Missouri Pacific and Burlington cases, and you said that independent of what you had heard of the testimony in those cases, you would not put yourself up as competent to determine the question of a division upon a ton mile, or upon a revenue basis, or upon the extra cost; but you felt you did have a fixed conviction or opinion, when you were entitled to take into consideration all the testimony you heard, and the study you had made of these particular accounts in these cases: does that correctly represent the situation, Mr. Taliaferro?

8909 *Q.* I think, Mr. Hagerman, I said this—if I did not say it, in as much detail as now:

That during my railroad experience, especially when I was running some little railroads, I had the acquaintance of the officials of the larger roads with which we were connected, and I had frequently gone over the roads with them, and discussed conditions generally.

I said that the testimony in these cases had borne out what I had always understood to be the conditions under which traffic was handled. That is my recollection of it.

Q. But I am going a little further than that, without taking up much time over it:

The sum and substance of what you said was, and it is only the fair thing to state now, that without having heard the testimony in these cases, you would not have felt yourself competent to express a fixed opinion on these subjects?

A. Not on the Missouri situation, no sir.

A. A great deal has been said about the books of these companies, and you not having any access thereto. Now there are 18 railroads interested in this matter, all of which have furnished statements long ago: now have you anything to say except words of commendation as to the way the representatives of all the railroads have extended every facility and courtesy to you in the way of giving you full and free access to everything?

8910 A. No sir, I have not. They have extended every facility and every courtesy. And we have not been denied anything.

Q. So if the State had wanted to employ an army of experts, the whole railroad situation as disclosed by their books and papers, was open to the State, if it wanted to examine them?

A. So far as I know, yes.

Q. I am not going to bother you upon the question of your various reasons for dividing this, except that we had that in the various cases, that is to say, in the Missouri Pacific and the Burlington cases you testified very much at length upon the same subjects as you did yesterday—probably more in detail and you were cross-examined by me quite extensively upon those subjects, were you not?

A. Yes sir.

Q. I would like to have you take with me, Mr. Taliaferro, Exhibit 2, which is the statement filed by the St. Louis & San Francisco Railroad Company, and let us get down to this concrete case, and see what fault you have to find with this statement, if any.

Now so far as concerns the earnings of a railroad, there is no difficulty in ascertaining what is state and what is interstate, because as to the freight you can go to the way bills, and as to the passenger you can go to the tickets and the conductors' reports: that is right, isn't it?

A. Yes sir.

Q. Of course I don't mean by that that there isn't lots
8911 of work and lots of expense involved in it, but so far as accuracy is concerned, you can locate it definitely, can't you.

A. Yes sir.

Q. Therefore, when we start with this Frisco Railroad Company's Exhibit 2, under the head of earnings, they are separated between interstate and state; freight and miscellaneous freight, passenger and miscellaneous passenger?

A. Yes sir.

Q. Is there anything the matter with that statement, is it, or is it not correct?

A. We have considered that the figures are correct.

Q. So we may now pass from sub-division one in that statement, under the head of "earnings," after whatever examination you have made, that that is a correct statement?

A. Yes sir, we have nothing to say against it.

Q. When you come to the expenses of a railroad, you are confronted by this kind of a situation: in the practical operation of a railroad, the State line is an imaginery thing, cutting no figure one way or the other; isn't that true?

A. Yes sir.

Q. That is to say, if you were dealing with the question of operation, and nothing more, the state line might as well not be there: is that true?

A. Yes sir.

Q. When you come to "expenses" you find that those ex-
8912 penses were incurred in the common work, both state and interstate, don't you?

Q. Yes sir.

Q. The same trains and the same facilities were used, sometimes one train carrying both passenger, freight and miscellaneous?

A. Yes sir.

Q. Miscellaneous freight, and even miscellaneous passenger stuff is carried on them?

A. Yes sir, on the two classes of trains.

Q. So there has never been a system devised yet, in the way of book-keeping, bu- which in actual practice, there can be any division of accounts as they are kept by the railroad company, as between state and interstate business?

A. None that I have ever known of.

Q. And the only time in the practical operation of a railroad that the question arises as to a division between state and interstate, is when it comes to a controversy in the courts over the effect of some state law, when it is desired to separate the business between the state and the interstate?

A. I think the question has often arisen before the State Commissions.

Q. I am including that?

A. I mean for their regular reports, they have tried to have it done, but probably have never succeeded.

8913 Q. Whatever we come to say about tons and ton miles, up to this time in the practical operations of a railroad, no such thing is known as dividing the business between state and interstate, but it is all treated as a lump sum.

A. I think that is true.

Q. Take sub-division No. 3 of Exhibit 2, for the St. Louis & San Francisco Railroad, and we have there the expenses undivided as between state and interstate: now is that a correct statement thus far?

A. They are the figures shown by the company's books, Mr. Hagerman. As to the division between freight and passenger, I think there might be a good deal——

Q. I suppose one auditor might think one little item wrong, and some of the railroads might possibly make the division one way and some of the other roads make it another way, or they might all do it the same way; but I mean that every statement submitted to you in these cases had a formula added to it, showing how that division was made, so if there was anything seriously wrong you could check it up and find out where it was. Isn't that true?

A. Yes sir.

Q. And in this case, you have not up to to-day found anything wrong with the figures shown on this Exhibit 2 of the Frisco Road, as to their division between passenger and freight?

A. They are all right on the basis outlined.

8914 Q. If you are outlining them on some other basis, which would change that result, of that division between freight and passenger, let us have it now, because I understood there was no substantial difference here, as to that?

A. I don't know that I would attempt to outline one, but I would say this: we took the mileage of the freight cars, and of the passen-

ger cars, and we added 50% to the passenger cars, on the assumption that they would all have 12 wheels, and the freight cars only 8. Then we added in the engine mileage; and on what was practically in that way a wheelage basis, we found that the charge to maintenance of way and structures would be reduced from $254,000 to about $137,000, in round numbers.

Q. On the passenger business?

A. Yes sir, on the passenger business.

Q. Did you ever hear of accounts being kept that way by railroads?

A. When track is used by other companies, that is usually the basis.

Q. But as to a division between freight and passenger no road ever did it that way?

A. No sir, I have always understood that the train mile basis was the one followed.

Q. That is what is used here, in this Frisco Exhibit 2?

A. Yes sir.

8915 Q. To get down to the points at issue between us, for all practical purposes of the statement you are working up, that statement of expenses, undivided, is correct?

A. We have used those figures?

Q. And we may, for the purposes of this case, take them as correct?

A. I think so.

Q. Until we get down to the item of "general expenses" maintenance of way and structures, maintenance of equipment, traffic expenses, transportation expenses, and general expenses, we have got no difference betwen us?

A. No sir.

Q. But when we come to "taxes" you have some statement to which I will refer hereafter. You do not assign that as an expense: is that it? You treat it as separate and distinct?

A. It is in the statement, but not along with the operating expenses.

Q. What I want to do is to find out how you treat it: whether it comes here from some other place. That comes down to a question of the aplication of a theory: Taxes are an expense of the railroad, aren't they?

A. Yes sir.

Q. And the taxes upon a property are undivided as between state and interstate business in the State?

A. You mean in this statement?

8916 Q. In the method of keeping their accounts, like all other expenses?

A. Yes sir.

Q. So, whether you call it operating expense or not, taxes do constitute an undivided expense account that the court or somebody must find some way of apportioning between state and interstate business?

A. Yes sir.

Q. And the amount we have here in this Frisco Exhibit 2 is absolutely correct?

A. We have accepted it as correct.

Q. Now the rentals, this item of rentals, there may be some little difference as to the application between us, I judge from some of your figures, but so far as the amount is concerned, it is correct as it appears on this Exhibit 2, isn't it?

A. Yes sir.

Q. The rentals which the Frisco Railroad Company pays, where it runs over some other railroad company's track, would come under the head of "rentals". That is right, isn't it?

A. It may not all be track.

Q. Oh, yes, it may be a Union Station, or something else. I will say "facilities".

A. Yes, facilities.

Q. It is the sum paid by the St. Louis & San Francisco Railroad Company for the use of the facilities of some other road?

8917 A. Generally speaking, yes.

Q. You have segregated in some of your accounts of that rental, the part that was paid to the Kansas City, Ft. Scott & Memphis Railway?

A. Paid as interest on the Trust Certificate, or dividend on the stock.

Q. Let us see exactly what it is: The St. Louis & San Fra*b*cisco Railroad is operating the Kansas City, Ft. Scott & Memphis Railroad, as a part of its system under practically a perpetual lease; that is, a long time lease: that is right, isn't it?

A. I don't know, Mr. Hagerman.

Q. Those figures all show it, and you have seen the reports of the State Board of Equalization, where it lists it that way?

A. No sir, I have not seen it.

Q. We introduced in evidence here, as an exhibit, the form of certificates used.

A. What the Frisco Railroad pays as rental is 4% upon certain Trust Certificates issued in lieu of the Preferred Stock of the Kansas City, Ft. Scott & Memphis Railway; that is right, isn't it?

A. That is my understanding.

Q. If the Frisco Railroad was paying just a sum cash for the use of any portion of the Kansas City, Ft. Scott & Memphis Road, it would be properly included under the head of "rentals" and

8918 would be properly chargeable as an expense?

A. I think so, if it was paying it on property it did not own. But I understand it owns this.

Q. That is the difference between us. The Supreme Court says we do not own it; that ownership of stock is not ownership of a corporation. But, whatever it is, if it were paid to somebody else, it would be a rental properly chargeable as an expense, wouldn't it?

A. I think if it were paid on property that the Company did not own, it would be.

Q. Let us put it real plain, so there can be no misunderstanding about it: If it were paid to the Santa Fe Railroad for property over

which the Frisco Road was running, between here and Southwest Missouri, it would be properly an expense, and properly chargeable like any other expense, wouldn't it?

A. Yes sir, I think so.

Q. But your idea about it is that it ought to be treated as something else, because substantially the Frisco Railroad owns substantially, the Kansas City, Ft. Scott & Memphis Road: isn't that it?

A. Yes sir.

Q. Now the sum aggregates for this statement some $56,000 I believe. You gave the amount the other day, I believe?

A. Yes sir.

8919 Q. If it were in this account, that would be divided according to revenue, taking its percentage in those respective amounts?

A. I cannot tell you.

Q. You haven't it divided?

A. Some is in freight and some in passenger. I can get the figures, but I don't remember them now.

Q. But what I am getting at is, that manifestly, whatever you call it, that $56,000 is something the St. Louis & San Francisco Railroad Company pays out, isn't it?

A. Yes sir, but we have considered it——

Q. I know what you have concluded. But it is something that this Company pays out, and it pays it out in the way of an interest charge.

Mr. KENNISH: Let the witness explain.

Mr. HAGERMAN: He has told me how he treated it. Isn't that true, Mr. Taliaferro?

A. They have paid it out, yes.

Q. Isn't it something you would treat as a fixed charge of some kind?

A. Yes. We regard it as about the same as interest.

Q. That is it. But it is not included in the interest statement of the company, in any way whatsoever, is it?

A. No sir.

Q. But what you would regard that is not really as stock of the Frisco Railroad, but a fixed obligation more akin to interest

8920 on the bonded debt, than anything else, isn't it?

A. I have always understood it was a dividend.

Q. We have the form of Trust Certificate here, haven't we?

A. Yes sir, the certificate is here.

Q. And Mr. Hamilton gave us the entry about it, which appeared on the books of the Frisco Company, so it would be treated by you more in the nature of an interest charge, in that it was a fixed sum, absolutely payable?

A. I think that is right.

Q. Like the bonded indebtedness?

A. Yes sir.

Q. And it is not included in any statement of ours as part of

the interest upon the bonded debt, which we are calling for in our statement, is it?

A. I cannot answer that of my own knowledge. I do not believe we checked up the interest.

Q. Mr. Press said it was not, and Mr. Douglas said it was not, and I am perfectly willing to have Mr. Hamilton say so.

Mr. HAGERMAN to Mr. HAMILTON:

Q. Isn't that so, Mr. Hamilton?

Mr. HAMILTON: No sir, it is not in there.

Mr. HAGERMAN:

Q. So in the end, Mr. Taliaferro, whether we call it an expense or not, whether I am right in that, whether I am right in
8921 saying it ought to be treated as an expense, it is something that in the operation of that road ought to be treated as an expense, and it is something that in the operation of that road, whether as an expense or an interest charge, or upon the same plane as an interest charge, it is something the company has got to meet?

A. Yes sir.

Q. So that with that explanation, now, we are absolutely together with a single item as to some earnings from equipment.

You say in some of your exhibits, you add $25,000 to the earnings, something around about that sum, and then you deduct it from the expenses, so that it balances?

A. We only added it to the earnings, because it was an expense that had been deducted from the earnings.

Q. What is the item and what is the aggregate?

A. It is known as "hire of equipment."

Q. That is to say, if the St. Louis & San Francisco Railroad Company hires equipment from somebody else, it pays out a certain amount for that?

A. Yes sir.

Q. Or, if the equipment of the St. Louis & San Francisco Railroad Company is hired by somebody else, that is also entered as an earning?

A. Yes sir.

Q. The total amount of that item, after we get it straight, the Frisco has money coming to it, from the hire of its equipment?

8922 A. Yes sir.

Q. And it has money to pay to other roads for the hire of their equipment: is that right?

A. Yes sir.

Q. In making up the statement of earnings and expenses, in this Exhibit 2 of the St. Louis & San Francisco Railroad Company they did not count that as an earning, nor did they count it as an expense, where one exactly offset the other, did they?

A. No sir.

Q. And that is in accordance with the imperative direction of the

Interstate Commerce Commission to keep the accounts that way, isn't it? Do you know about that?

A. I think the hire of equipment belongs as a deduction from the income. That is my recollection. I have not looked at the classification recently.

Q. It is not an earning from property at all?

A. You mean any earning from other sources?

Q. Yes. Any way you would put that item into miscellaneous earnings, and then put it into miscellaneous expense again, wouldn't you?

A. Yes sir.

Q. What is the amount that is involved in the controversy in this case, as to these two items?

A. Freight, $25,910.98.

8923 Q. That is undivided between state and interstate?

A. Yes sir.

Q. And as to passenger what is the item?

A. $8,924.83.

Q. What has been done is that inasmuch as each of these things offsets the other, it has not been added to earnings, or deducted from expenses, but it has been left out on the theory that they balance each other. Isn't that correct?

A. Yes sir.

Q. But you would have done it in the way you spoke about?

A. Yes sir.

Q. $25,000 and $8,000 is only about $33,000; and if our theory is right, that $33,000 would not make any practical difference in the result of the case, but would just make a lot of hard work in changing the figures?

A. No sir, it does not make much difference.

Q. So for the purposes of each case, upon the theory of either side, because we want to get down as soon as possible to the controverted questions, the $33,000, if divided the way you suggested in your testimony, or if our theory is right, and it is left that way, it would not change the result, would it?

A. That is right.

Q. It is safe then to leave the question of earnings and expenses, before we divide the expenses upon the Frisco Road, as absolutely right, with this single difference as to the $56,000 rental paid for the Kansas City, Ft. Scott & Memphis Railroad Company,

8924 which you would treat as a fixed charge, and which we would treat as expense: that is correct, isn't it?

A. Yes sir.

Q. Let us go along a little further—and if I could get along with the lawyer as well as I seem to be getting along with you, we would soon finish these cases——

Mr. KENNISH: Which lawyers do you refer to, Mr. Hagerman?

Mr. HAGERMAN: All of them.

Mr. KENNISH: I object to that.

Mr. HAGERMAN: If there is anything offensive in the remark I will withdraw it. It was merely said in the way of a pleasantry.

Q. Mr. Taliaferro, let us go to sub-division 4, where we get our——

Mr. KENNISH: I object to the manner in which counsel is arguing questions of law, and making observations which are not in line at all with proper cross-examination.

Mr. HAGERMAN:

Q. Take sub-division 4, percentages: Those are percentages ascertained from the figures set forth there, upon a revenue basis?

A. Yes sir.

Q. The first column reads "Percentage of each class of freight, including Miscellaneous": that is on all freight earnings. And then likewise as to passenger earnings. And then the last column is the percentage of each item of all the earnings of the company: that is correct?

8925

A. Yes sir.

Q. Now let us go a step further, and then we will come back to this again: that gets to be a point of controversy, or point of determination, because of the fact, as you have already said, that the state line in the practical operation of the road, and the expenditure of money, is an imaginary thing; but in reality we have got to make some apportionment to meet this situation, and find out what the state and interstate is.

That subdivision 4 which gives the total freight operating expenses, undivided, including the taxes and rentals, is correctly stated as a summary of what has gone before; that is right, isn't it?

A. Mr. Hagerman, after we checked the total earnings and expenses, we stopped. We did not undertake to check the figures in your statement. We had too many others.

Q. I assume they are correct, if you have not undertaken to check them.

A. We have not worked on that basis.

Q. Anyhow, let us get down to where we make the first division. We have made the first division of these expenses to deduct from the earnings, which we have got definitely upon a revenue basis. You haven't any criticism when you find that leaving us $194,000.52? Whether you have checked it or not, you haven't any criticism to make now?

8926

A. Not on the basis that has been employed.

Q. That is the revenue basis?

A. Yes sir.

Q. The next subdivision of paragraph six, is the amount of diminution in freight earnings, which would have existed had there been charged the rate fixed by the 1907 law. That is $11,000 and some odd dollars?

A. Yes sir.

Q. You have no criticism to make of that?

A. No sir.

Q. Right here, Mr. Taliaferro, as we are going along because we don't want to have to do double work for nothing, if the law of 1907, as to freight rates, was confiscatory, it may be said, without any further investigation or inquiry, that the law of 1905 was, because the 1907 law has allowed the railroads higher rates upon the same commodities. That you said during the course of your examination?

A. I said some of the rates fixed by the 1907 law were higher than some others.

Q. And as a whole, higher?

A. That is my understanding.

Q. And if the law was bad, and confiscatory, as to 1905, it would necessarily be so as to the 1907 law?

Mr. KENNISH: What law do you mean, Mr. Hagerman?

Mr. HAGERMAN: The Maximum Freight law.

8927 A. The diminution under the 1905 law would be greater than under the law of 1907.

Q. The theory would be the same?

A. Yes sir.

Q. Depending upon whose theory was adopted?

A. I presume so.

Q. If the division of expenses, as we have made them, upon the revenue basis, is the theory adopted, there is nothing the matter with our account?

A. We have no criticism upon that.

Q. Going now to the extra cost of doing the state business, we have as a result of those figures, which are correct, if the revenue basis is correct, a surplus of $183,396.25, and nothing has been allowed on account of the bonded debt as yet, has there?

A. No sir.

Q. And nothing in the way of return upon the value of the property, has there?

A. No sir.

Q. And if as a matter of fact the Court says it did cost more to do the state business than the interstate, we are entitled to that additional deduction, aren't we, before we get to the interest paid upon the bonded debt, aren't we?

A. Yes sir.

Q. Some misunderstanding has occurred here, about the
8928 method of ascertaining that increased cost: you have not any crititcism to make on our percentages as shown in this statement, have you?

A. No sir.

Q. That is to say that if it cost 50% more to do the state freight business, that would be 7.32% of the operating expenses, to be added to the state?

A. We have not checked the figures. We have no criticism to make, however.

Q. You have had the figures, and you have not any criticism to make upon them, have you?

A. No sir.

Q. So these calculations that are made are correct.

Let us turn then to schedule 8 of exhibit 2, which deals with the method of reaching that result. That is a correct method, isn't it? What we have called in the record "The Sturgis Example?" I will not commit you now to any theory, but if the revenue basis is the method upon which it is to be ascertained, that is the correct method of ascertaining the result, isn't it?

A. Yes sir.

Mr. HAGERMAN: Now if your Honor pleases I would like to follow that for a moment, so you will understand it.

Q. Take the first example there, if the extra cost of doing the state freight business is 50% more than the interstate we have
8929 got to start out by getting a common ground upon which to get not only the increase of the state, but the decrease of the interstate, haven't you, Mr. Taliaferro?

A. Yes sir.

Q. So you muliply the interstate by one: is that right?

A. Yes sir.

Q. That being 77.62%, the sum total would be 77.62%?

A. Yes sir.

Q. Now you are going to increase the state cost 50%. So you would multiply the state percentage by 1½, wouldn't you?

A. Yes sir.

Q. And that would give you, instead of 20.24, 30.36?

A. Yes sir.

Q. That upon its face would be an increase of 10.12%? Wouldn't it, if we stop at that?

A. I hardly think you could put it that way.

Q. I say, the difference between 30.36, which is the result of multiplying 20.24 by 1½, is 10.12, isn't that right?

A. Yes sir.

Q. But that wouldn't be fair. That would be too much. Because you must get it back to an equal per cent, so as to equalize between state and interstate?

A. Yes sir.

8930 Q. Then you multiply the miscellaneous by 1, because you are allowing no increased expense to that, is that right?

A. Yes sir.

Q. After you have taken those factors just ascertained, you add them together, and that makes a total of 110.15%, doesn't it?

A. Well, I haven't figured it.

Q. Assuming that the addition is right, then you are not criticising it?

A. Should not the 2.14, be added to the 110.12?

Q. No, it is 77.62, 30.36 and 2.14?

A. Yes, that would make that result.

Q. That makes 110.12%?

A. Yes sir.

Q. Now you have got in that the interstate cost, you have got

the miscellaneous cost, and you have got the state cost increased 50%, haven't you?

A. Yes sir.

Q. But you have 110% which in reality is only 100%?

A. Yes sir.

Q. Therefore, the problem is to reduce that 110% to 100%, for proper apportionment between those different factors?

A. Yes sir.

Q. And when you have done that, the 30.36 of the state becomes 27.57, doesn't it?

8931 A. Yes sir.

Q. The difference being between what the state was before, 7.33% plus?

A. Yes sir.

Q. Now whether you do it upon a revenue theory, or whether you do it upon the ton mile theory, or upon the ton theory, you ascertain your percentages, and ascertain the increased cost in that way, don't you?

A. Yes sir.

Q. So the court given the proposition that the revenue basis is the right basis, or that the ton mile basis is the right one, or the ton basis, or the passenger basis, or the passenger per mile basis is the right one, all on earth he has got to do is to take that and figure out the percentages upon those different bases, according to that example which in this record has been repeatedly called the "Sturgis Example." Isn't that true?

A. Yes sir.

Q. So that upon any phase of the case, at any time upon any theory that is ever adopted, if it is ever necessary to ascertain the increased cost of doing the state business over the interstate, as to any portion of the expenses even, upon any theory, that is the way to do it?

A. Yes sir.

Q. Upon the revenue basis, at a cost of 50% more, we

8932 would have left a surplus of $65,000. We have set out there that with no additional cost—that is we do not allow additional cost at all—well, I am going too fast. This is at the bottom of page 2, of the statement exhibit 2.

Upon the 50% basis that increased cost would be $130,246.94, wouldn't it?

A. I cannot verify those figures for you, because I have not checked them. I am willing to read what is here in this statement.

Q. Let me ask you in this way: Let us summarize while we are talking about it.

As it is written here, in sub-division "c" on page 2 of exhibit 1, on the basis of 50%, that increased cost would be $130,246.94?

A. Yes sir, that is what appears there.

Q. And that would leave the surplus we had before $53,000 in round numbers?

A. Yes sir.

Q. And if twice as much it would be $238,460.28, or a deficit, wouldn't it?

A. Yes sir, according to your figures.

Q. You have no criticism to make of these figures, whether you have checked them or not, have you?

A. No sir.

8933 Q. You have said that just as much as an operating care must be taken of the interest charges of a property of this character: that is true, isn't it?

A. I assume that is true. I assume that is not a question for me to answer.

Q. As an accountant, whether you are dealing with a packing house plant or a wholesale grocery, or a railroad, the fixed charges paid from year to year, for years back and which must be paid for years to come, are something that must be taken care of?

A. If you want to know what my understanding is in these cases, I understand the return is to be figured on the value of the property, regardless of the bonds or other obligations outstanding.

Q. Regardless now of what somebody may have told you, I am dealing with your experience as a practical man, and a practical auditor: if you were left with not a lawyer and not a judge to tell you what is right, would or wouldn't you apportion the interest charges, and apply them upon the earnings, and say that we ought to have earnings to pay out fixed charges?

Mr. KENNISH: We object to that. Those matters are purely questions of law. The courts even are not in accord as to what charges are to be deducted such as dividends, interest on bonds, and fixed charges, that is not a question for expert opinion

8934 at all, but is a question of law, and the witness would not be required to answer the question at all.

The COURT: Be that as it may, as I said before, the Court is not ruling on the admissibility of evidence. Of course it is entirely proper for you to make your objection on the record.

Mr. KENNISH: Very well then, your Honor, we make the objection, that we are not assenting to that rule.

Mr. HAGERMAN: Regardless of the opinions of lawyers or courts, but dealing with it as an auditor and a practical man, apportioning what should be charged to state and interstate, as against the earnings, you would charge the fixed charges and apportion them, wouldn't you?

A. You mean now between state and interstate?

Q. Yes.

A. I would say when those fixed charges were arrived at, the amount arrived at, it of course ought to be divided.

Q. It ought to be divided upon some basis?

A. Yes sir.

Q. And left to yourself, without anybody to tell you that the law was so and so, you would say——

Mr. KENNISH: Well, now, Mr. Hagerman——

Mr. HAGERMAN:

Q. —that they ought to be applied as against the earnings, wouldn't you?

Mr. KENNISH: We object to that: "Left to himself and without any lawyer telling him so and so" there is an imputation in
8935 the question that he was not left to himself, and that counsel were trying to swerve him into testifying what left to himself he would not testify.

Mr. HAGERMAN:

Q. I say, leaving out every contention I make, leaving out every contention that the other side make, leaving out every question of what the court may decide, and just as a man, claiming to be an expert, tell me what your judgment is upon that matter?

Mr. KENNISH: He is testifying as a man, and counsel has no right to make the insinuation that he is testifying as the lawyers suggest to him.

The COURT: I don't understand that anybody is making any reflections upon anybody.

The testimony will be received subject to the objection.

A. The only way I can answer that question would be this: that it is a question that has never presented itself to me except in these Missouri cases. This question of dividing the interest on the bonds between state and interstate business. And in these cases we have not done it because we have never come to that point.

Q. Now let me put it in another way, Mr. Taliaferro: In all the experience you have ever had, whenever you went out to look over a going concern to see what the result was, and what the net returns were to the people that owned the property, didn't you first ascertain and take out the interest charges that were constantly, day by day and year by year, paid?

8936 A. In making up our statements we would of course include the interest that had accrued on the outstanding obligations.

Q. As a matter of bookkeeping and accounting, that was always accounted for, and taken into consideration before you came to an ascertainment of what were the net earnings?

A. We would not consider that set of books were properly kept that did not show every obligation, whether it showed a profit or a loss.

Q. Now, Mr. Taliaferro, I want a direct answer to that question: have you ever started out to ascertain the net earnings of a plant, where you did not take out those interest charges that they were paying from day to day, before you put down what their net earnings were? In other words, every time you did such work, have not the words "net earnings" been considered by you as what is left after doing that thing?

A. No sir. Now I think I understand you better. We frequently make examinations for parties who are going to combine properties,

and things of that sort. And what they want to know is what those properties will earn, what they have earned during a period of five, ten or three years, or whatever it may be. Now, then, the interest on the property does not mean anything to them. What they want to know is what the net earnings amount to, so they can see what they would be at five six or four per cent.

Q. I am not asking you about questions of combinations or combines, but I am asking you this: If I have an interest in
8937 a property, or in the net earnings of a property, and I have said to you "Mr. Taliaferro find out for me what represents my interest, what are the net earnings," don't you take out the fixed charges before you give me the figure?

A. We would certainly render a statement showing the expenses, the net earnings, and the deductions for taxes and rentals.

Q. What do the words "net earnings," mean in the ordinary acceptation?

A. It does not mean after taking out interest.

Q. It does not?

A. It does not in accounting language.

Q. That is what I want to know. You say it does not mean that. You would ascertain the net earnings, and take out the fixed charges?

A. Net earnings means the gross earnings less the expenses of doing the business.

The COURT: Put it this way: Every body, every honest man, knows it is criminal and corrupt to pay dividends except out of earnings. That is a matter of morals, and I suppose we all agree to that, don't we?

A. I will.

Q. Suppose Emery, Bird, Thayer & Company have $50,000 in a bank down here: some of the stockholders want dividends; now you are called upon to determine whether a dividend could or could not be paid; what would you take out and
8938 consider before determining that question?

A. I would consider the surplus, and not at all the amount of money they had in bank: I would consider the surplus as shown by the books.

Q. Would you consider the payment of interest on mortgages and bonds?

A. Yes.

Mr. HAGERMAN: Would that be taken out first?

A. Yes sir.

Q. Assuming that the bonded indebtedness is in there, the interest on which has to be paid out of the earnings of this property, now the interest will represent a sum certain, and we have it marked down here. Is there any criticism of that as set forth in the statement.

A. No sir.

Q. The interest for three months was $819,021.42. Now we have assigned such proportion of that interest as equals the revenue basis; that is the per cent. We have taken such per cent as the percentage of state freight is of the whole earnings of the property. Now as-

suming that the revenue basis is correct, as a basis for the division, is that the proper method of doing it?

A. I cannot answer that. I do not know what the proper method of dividing the value of the property is.

Q. How would you do it?

8939 A. I have never been asked to do it, and I have no suggestion to make, as to a way of dividing it.

Q. We are here with a piece of property, and we say we are entitled to a return upon it, and we say we are entitled to have that return upon that property in accordance with the revenue we get on the particular piece of property in controversy.

Now I want to know if the State will tell us what proportion they will allow us to have, provided any theory, any theory they want is adopted. Have you any idea about that?

A. We have made a number of calculations upon the bases of gross earnings, but I have no opinion whatever——

Q. We can make calculations on every basis on the face of the earth, but what I want to know is what would you say as to that $819,000 interest for the three months, which we have apportioned upon the revenue basis to the state freight, so that we are entitled to $117,775 of it—now what would you give us, you representing the State here?

A. I would not attempt to give you anything on that.

Q. Is that the only answer you can give me?

A. Yes sir.

Q. Then your position is that it is wholly immaterial that we for years out of this property we have built up and welded together, have paid and for years to come have to go along paying, at the

8940 rate of $118,000 per month, and you can pass or take a look at that, and say that is not a factor entering into the consideration?

A. I do not consider anything of that kind to be the case. I say all we have dealt with in any case is the earnings and expenses, taxes and rentals, and we have not gone beyond that in our work.

Q. Then if you haven't any theory I will proceed upon the theory that that is right—and I understood Mr. Ludlam to say it ought to be divided upon the revenue basis.

Now assuming it should be divided upon the revenue basis without anything being allowed for extra cost, there would be a surplus of over $65,000 for that interest, wouldn't there?

A. That is the figure that appears on page 3 of this Exhibit.

Q. And if we are allowed the increase of 50%, there would be a deficit of over $64,000, wouldn't there?

A. Yes sir.

Q. In plain words that means, Mr. Taliaferro, that if you allow us 50% increased cost, we would lack $64,000 in three months time of meeting the actual interest paid upon the bonds: that is right, isn't it?

A. That is the way the figures read. I have no reason to think they are not correct.

8941 Q. And for the year it would be four times that amount, or $270,000?

A. It might be.

Q. Assuming these figures were carried out, and that those are representative figures?

A. They represent four times that in the year.

Q. Now let us see about the value of the property: whether the value over the bonded indebtedness be assigned and divided between state and interstate, or whether the whole value of the property, regardless of bonds, be taken, it must in some way be divided between state and interstate; that is, the return upon it, must it not?

A. Yes sir.

Q. Have you any fixed notion of what the return ought to be upon the full value?

A. What, rate?

Q. Yes?

A. No sir.

Q. That is, speaking for the State of Missouri, there is no figure of return you are willing to concede us?

A. No sir.

Q. Have you any fixed idea of value upon which we can get a return, or that we are entitled to get this return, which you have not fixed in your mind?

A. You mean what the property is worth?

Q. Yes.

A. No sir.

8942 Q. You are the chief representative and the chief expert of the state, and you have not a figure to tell us what sum ought to stand as representing the value of the property, upon which we are to get a return, or the rate of interest we are to receive thereon: that is a fact, is it?

A. That is a fact.

Q. Assuming then that the division upon the revenue basis is correct, is there any criticism to make on our figures?

A. No sir.

Q. Now to put the thing plainly, and into a nut shell, so the plainest man can read it at a glance, so there may be no misunderstanding whatsoever, if the revenue basis is right, in ascertaining the first division of cost as against expenses and in ascertaining the increased cost, then there is no criticism to be made upon our statement?

A. And if the revenue basis is right for dividing the value of the property?

Q. Yes.

A. No sir.

Q. In other words, if the revenue basis for dividing the returns upon the value of the property is correct, and the revenue basis is right, as to the apportionment of expenses, our statement is correct and must stand?

A. We have no criticism to make.

Q. And if the revenue basis is right as to the first apportionment of expenses, as against operating expenses, and the increased cost is to be ascertained upon the ton mile basis, by way of comparison, you do it by the same kind of an example, except for the difference in the percentages?

8943

A. Yes sir, and the calculation is made upon ton miles.

Q. In one case the increased cost is ascertained upon the basis of 20.24% being state freight?

A. Yes sir.

Q. And upon the ton mile basis the increased cost would be ascertained upon the basis of 13.1%?

A. Yes sir.

Q. Have you the percentages of the tons?

A. No sir.

Q. In a general way, if you measured it on the ton basis, as distinguished from the ton mile basis, speaking from the experience in all these cases, it would be substantially the same as the revenue basis?

A. Very close to it, I think.

Q. So the ton mile basis is about 13% as against 20 on the revenue basis, but the revenue and the ton basis would be practically upon an equality?

A. I think that would be true.

Q. Now let us step along to the passenger business.

We have already seen that the passenger earnings are correctly stated, and what you have said as to the freight expenses applies also to the passenger expenses?

8944

A. You mean the figures are correct?

Q. The figures are all right?

A. We have no changes to suggest.

Q. We have divided that expense, which is undivided, as between state and interstate, upon a revenue basis, haven't we?

A. Yes sir.

Q. If we divided it upon a passenger mile basis, it would be 59.32%, wouldn't it?

A. The state passenger miles are 59.32% of all passenger miles, yes.

Q. What I say is, if instead of dividing the passenger expenses, as between state and interstate, upon the basis of revenue received from the passengers carried, we decided to divide it upon the passenger mile basis, it would be 59.32% as against 51.56%, wouldn't it? Give me that difference—7 something, isn't it?

A. The passenger miles of state business are 59.32 per cent of all passenger miles, and the earnings from state passengers were 51.56% of all the passenger earnings including miscellaneous.

Q. What is the difference in percentages?

A. I don't think you can compare those figures properly, but the difference is 7.76%.

Q. But we have taken, which is consistent with a division upon the freight basis, your figures used in the first place, and consistent with the apportionment of the value of the property, the revenue basis for this division, haven't we?

8945

A. Yes sir.

Q. And it is not as favorable to us as the passenger mile basis would be, those per cents?

A. You cannot compare those figures, Mr. Hagerman, to my mind.

Q. I don't see why you can't compare those figures. Suppose you would set aside out of the passenger expenses, its proportions as between state passengers, divided in accordance with revenue, and eliminate the miscellaneous. Then you can measure the difference in cost.

Now, Mr. Taliaferro, if you take the revenue basis as to passengers, whether it is more favorable to us or more unfavorable than some other theory, to either one party or the other, if you do take the revenue basis, you can apportion the expenses easily, by a mere calculation with percentages, both state and interstate, and then sub-divide it between passenger fares, passenger and miscellaneous earnings, both state and interstate, can't you?

A. Yes sir.

Q. That is as simple as A B C?

8946 A. Yes sir, quite so.

Q. But if you undertake to ascertain separately, and make an apportionment to the state and interstate, and sub-divide your earnings from passenger fares and miscellaneous sources, you cannot do it upon the passenger mile basis, can you?

A. Well, we have done it.

Q. I am talking now about sub-dividing. Here you have the total earnings, state and inter-state, sub-divided between passenger and miscellaneous, in each instance, hav-n't you?

A. Yes sir.

Q. Upon the revenue basis you can divide it almost as quickly as one can figure with one factor, the revenue division?

A. Yes sir.

Q. Now can you take the ton mile basis and figure it out separately, or the passenger mile basis, and figure it out separately? You can figure upon the passenger mile business, the state and interstate. But can you the sub-divisions of that?

A. As between earnings from passengers, and earnings from miscellaneous?

Q. Yes.

A. No sir, it is not an absolutely correct basis, of course.

Q. By what right, Mr. Taliaferro, can you take the expense

8947 of money that comes from carrying the mails, or from carrying express, and say that that should be divided upon the passenger mile basis, or is dependent at all upon the number of state or interstate passengers, who happen to be in the train?

A. We have done what we thought was the best thing to do, and that was to divide it between state and interstate, upon the basis of passenger revenue.

Q. Passenger miles, you mean?

A. No sir, passenger revenue, upon the assumption that it would closely follow, that is assuming that the express and mail business would closely follow the number of people——

Q. If you say that the division of expenses of all classes of passengers should be upon the revenue basis, then I am thro' asking you questions?

A. I didn't say that.

Q. Then I ask again how is it possible that these earnings from miscellaneous sources, like carrying milk, carrying express, carrying the mails of the company, be at all dependent upon or connected with the number of passengers who happen to be in the passenger coaches?

A. I say this, Mr. Hagerman, and I hope you will let me finish it—because whether good or not it is my idea about it.

Q. That is what I want?

A. You cannot separate the cost of running the passenger train between the cost of carrying the passengers, and the cost of car-
8948 rying the mail, express, etc. I cannot do it. I don't know whether anybody else can do it or not, but I can't do that. I think it is more correct to separate all the expenses of the passenger trains on the passenger mile basis, and add to the passenger earnings state and interstate, the miscellaneous earnings; than it is to deduct a part of the expenses of running the passenger trains, on the basis of the miscellaneous earnings. I do not think the deduction of those expenses on that basis is a reasonable one. I won't say it is not fair, but I don't think there is any reason for doing it that way.

Q. We don't attempt to sub-divide the miscellaneous, just in order to avoid getting into any unnecessary difficulties because that is not the kind or character of controversy involved here, but simply the 2 cent passenger law.

A. But at some point you had to leave out of the passenger expenses the part represented by the miscellaneous earnings?

A. Not at all, that would be shown upon the revenue basis under miscellaneous?

A. In other words, your calculations are based upon the idea that it costs as much to earn a dollar in the mail and express business, as it does in carrying passengers.

Q. I can see how you might make some apportionment as to mail and express, between state and interstate, which I say we do not go into in order to avoid unnecessary trouble, it not being at issue here; I see how it might be divided upon the length of the haul, or upon the volume of the stuff carried, or something of that kind.
8949 But for the life of me, it is beyond my comprehension to understand why the cost of transportation, as beyond state and interstate, the cost of transporting express matter, or milk, or mail matter, can be at all dependent or fixed by the number of state or interstate passengers who happen to be riding on those trains. Now if you can give any reason for it, I will be glad to hear it?

A. The only reason I have is this: that every individual has about the same wants; that is, as communities prosper, their needs are about the same. The people get the mail. Now then that sort of traffic would occur for all people. Now I do not say it is absolutely correct to divide those miscellaneous earnings upon the basis of either passenger miles or passenger revenue. We did make up our state-

ment, and I can only explain what we did. We did divide those miscellaneous earnings upon the basis of the revenue earned from state and interstate passengers, and I thought that was right—and I still think so.

Q. You have given all the reasons for the division, and that is all I am caring about for the purposes of this question.

You have attempted to apportion upon the revenue basis and have discarded the ton mile basis.

All I want is to have you give your reason, and leave it to the court to determine what is right.

8950 A. Yes sir.

Q. Turn to our statement upon the revenue basis, upon the passenger business, it was 51.56%?

A. What is that?

Q. Start with paragraph 7. The state expenses on the revenue basis are 51.56%, or $518,111.70?

A. Yes sir.

Q. So that the total passenger earnings, being $599,051.59, making this deduction, leaves the total passenger earnings for the state business $80,939?

A. Yes sir.

Q. If we take the proportion of the interest upon the bonded debt for that same period of time, we will have paid out $122,198,000, wouldn't we?

A. That is the way the statement reads. I say we have not checked those figures.

Q. I don't care whether you have checked them or not. Have you any criticism to make upon them?

A. No sir.

Q. If the revenue proportion is the one to give, there is no criticism to make upon that figure, is there?

A. If you put it that way, I will say no.

Q. The result is that upon the revenue basis we have to pay out every three months $123,000, and we have only $80,000 to do it with, from the state passenger earnings, upon a revenue basis?

8951 A. That is the way the statement reads.

Q. If it is to be done upon the revenue basis, that is correct, isn't it?

A. I have not checked the figures. I would be willing to say that they are correct.

Q. For the purpose of these cases, you may say that is correct?

A. I will say I have no doubt they are correct.

Q. That is all right then.

Now let us take on the revenue basis the proportion we are to get for a return for the valuation? That is $137,000 in round numbers, isn't it?

A. Yes sir.

Q. And we have left to meet that only the $80,000 of which we spoke before?

A. Yes sir.

Q. There is a deficit of over $57,000 for three months? That is right, if the revenue basis is correct?

A. Yes sir.

Q. And so we may leave this passenger end of it, Mr. Taliaferro, with the assertion, leaving it to the Court to determine who is right, that if the revenue basis is right there is nothing the matter with the statement?

A. If the revenue basis is right, and the interest on the bonds is to be considered as you see it, then there is nothing the matter
8952 with that statement?

Q. As to the interest upon the bonds, you say the same as you did about the freight: the same remarks you made as to the proper proportion of the interest upon the bonds, or whether they are to be chargeable or not, that you made as to freight, are true as to passenger?

A. Certainly some part of the fixed charges should go to the passenger business.

Q. I will be more specific: I would like to have you tell me what proportion of the interest charges you say ought to be offset against these earnings from passenger business?

A. I cannot say any proportion, Mr. Hagerman. All I say is that we have not attempted, I am not attempting to testify as to the rate of return, or the value of the property upon which the return is to be made.

Q. You are the Chief Expert of the State, expounding the State's theories, and now I want to know whether you have got anything to say to the Court about what the State is willing to allow us of this interest charge, to apply as against this $80,000 of earnings we had?

A. No sir, because I don't know what the State would allow.

Q. If we allow it upon the revenue basis we are $54,000 in the hole: will you say we are entitled to apply any part of
8953 it, or what part?

A. I would like to answer your question if I could.

Q. You cannot?

A. I think I did it a while ago; I can repeat it. I will say that our work has gone entirely to the earnings and expenses, and the bases on which those expenses should be divided. We have gone no further, unless it be to make calculations. We have no theories to present, and no notions about it.

Q. Now, Mr. Taliaferro, on a matter of fact, we pay out $819,000 every three months for interest: that is $3,200,000 that we pay in interest. Manifestly, we think, whether we are right or wrong, that we are entitled to offset against the $80,000 of passenger earnings some proportion of that interest. Has the State nothing to say as to the amount that it will allow us on that account?

A. Not through me.

Q. Has it through anybody else of whom you have knowledge.

A. I don't know what their intentions are, sir.

Q. You were the man, you have already testified, that had charge of the expert work?

A. That does not go to interest on bonds.

Q. Any how speaking for yourself and your associates, you have nothing to say upon that subject. Is that true?

A. That is true.

Q. Let us see now about the return on the property. We
8954 have a vast property here, some 1700 miles of railroad, and within three months, without any allowance for extra cost, without a penny's allowance for extra cost, one way or the other, we have a return of $80,000 for the passenger part in the state, of those 1700 miles of road.

Are you willing to give us a figure that the state says shall represent the value of those 1700 miles of railroad, upon which we are entitled to some return from the passenger service?

A. I could only refer to the fact, that as I understand it, three times the assessed valuation, is the value.

Q. Will the State give us that as the valuation for the purposes of this case?

A. I do not know.

Q. Have you any body among your experts that can give us the figure that the state will allow us?

A. We could tell you what three times the assessed valuation is.

Q. I understand that. But, Mr. Taliaferro, the State has passed a law fixing the passenger rate at 2 cents per mile, as the maximum, which we say takes our property away from us. Now, manifestly, the men who passed that law ought to have had some idea of what return they were going to allow on some kind of an investment. You would say that, wouldn't you?

A. I would assume that to be true.

Q. You, as the State's expert, can you give us any idea
8955 of the amount which you are going to allow us as a return upon our passenger business?

A. No sir.

Q. The $80,000 which is left after deducting the operating expenses, over $50,000 less than the actual interest paid out, nearly $60,000 less than the valuation, or the return upon the valuation fixed by the State Board, has not considered the questions of extra cost.

Will you look with me for a moment, while we take the extra cost, and see how much the $80,000, which it leaves us in the hole, is still further reduced by an increase?

Take paragraph 7, sub-division "d" on Exhibit 2: at 25% increased cost, the amount ought to be $33,000: that is right, isn't it?

A. Yes sir.

Q. That is, practically that would make the $80,000 dwindle down to $46,000, wouldn't it?

A. Yes.

Q. That would increase the deficit upon the bonded debt from $54,000 to $87,000 for the quarter?

A. I don't see the figures here, but I suppose they are all right.

Q. We ascertain that the difference between the $80,000 and the $122,000 would be $85,000, wouldn't it?

A. Yes sir.

8956 Q. And upon the allowance to us as the value of the property, the basis upon which the State takes our earnings for its taxes, that would make a difference of 57.33, or a deficit of $50,000, wouldn't it?

A. Mr. Hagerman, I think the statement will speak for itself.

Q. But I want you to group it. You are the expert?

A. I am not attempting to group that.

Q. Before we allow anything for extra cost, we are to the good $80,000. Upon this State Board's valuation, we ought to have had $37,000; that is $50,000?

A. You are asking me to do something we have not done for our own people, and that is to find out what all this would amount to after taking care of the bonded debt, interest and things of that sort.

Q. You can tell me that, can't you?

A. I can read the statement, but I don't think you ought to ask me that.

Q. Well, I will figure it. It would put us $90,000 in the hole, or $360,000 a year. That is, at 15% increased cost.

Now 25% increased cost would make it $53,000, or $20,000 more?

A. I cannot follow you. I don't know what you are talking about.

Q. Look at sub-division "d" of paragraph 7, on Complainant's Exhibit 2. At 25% the increased cost us $5.53 or $53,413.82.

8957 A. It says that, and then it says leaving $27,526.07.

Q. That is deducted from the $80,000. We figure it here before we get to the question of cost.

Now at 35% what was it?

A. The increased cost?

Q. Yes.

A. 7.41%.

Q. That would leave out of the $80,000 how much?

A. $9,000.

Q. Suppose you work it out at 50%?

A. You want me to read these figures?

Q. Those figures have been in your hands here for months, haven't they?

A. I have said we have no criticism to make on them.

Q. I want to know if they are correct?

A. We have not checked them, I said.

Q. You have no criticism to make of them?

A. We have no criticism at all.

Q. I repeat, as I did to the freight business, if we leave to the court the method of dividing the expenses, to be determind by the evidence in this case, and the Court should find that the revenue was the proper basis, are the figures right on the passenger as well as the freight?

A. I have no doubt they are.

8958 Q. Now, I want to go a little further with you. Turn to Exhibit 55, and in the first three lines that takes the

number of passengers for the year, and shows the revenue per passenger per mile to be 1.87 cents. Is that correct or not?

A. The statement so says, I suppose it is correct.

Q. Have you any criticism to make upon it?

A. No sir.

Q. It also shows that we received upon the system, per passenger per mile, 2.56 cents; that is correct, isn't it?

A. The statement so reads. We have had no opportunity to check that figure.

Q. Mr. Taliaferro, we may leave it to the Court as to whether you have had an opportunity. Ever since this litigation began, you have had every opportunity and chance to go over the books, as you have testified, with all the railroad experts or accounting experts that the State could hire, if it wanted to hire them?

A. This exhibit was filed only last week.

Q. I know, but it was taken from the company's books?

A. If you claim we should know everything in the company's books——

Q. I claim that the State which passed this law, ought to have known what it was doing, and ought to have known what revenue we were getting, and how much of it they were depriving us of, but whatever you did, or whatever any of the other experts
8959 did, have you any criticism to make upon this Exhibit 55?

A. No criticism.

Q. That shows that we lost upon each passenger, per mile, 6.9 mills per passenger per mile, or over ½ cent, doesn't it?

A. That you lost?

Q. Yes, per passenger per mile?

A. That is the difference between the passenger mile revenue in Missouri, and for the system.

Q. Now let us leave it again to the Court, the question of whether having a two cent fare appreciably increases traffic. In actual dollars and cents, we got during 1908, we received 6.9 mills per passenger per mile, less than we got before?

A. That is for the system.

Q. The system is better for you than otherwise, as Mr. Nay says?

A. That may be so.

Q. You do not say it is not?

A. No sir.

Q. Let us assume then that that is right. Those figures show that in Missouri we carried for the year passengers per mile 96,523,-003. We actually lost 6.9 mills upon that number, or upon the State business $666,000 and some fraction over. That is right, isn't it?
8960 A. I have not checked it.

Q. Have you any criticism to make upon it?

A. No sir, except that you are assuming that you lost that. You are assuming a figure which is the difference between the system earnings in one year, and the earnings in Missouri another year.

Q. As a matter of fact the State earnings were more than the sys-

tem earnings, and that was a better showing for the State, and as a matter of fact it turned out to be to a fraction the same figures as the Rock Island figures for the State, so unless you have some criticism to make, I will assume that it is correct?

A. I have no criticism.

Q. So actually if we had had that number of passengers to carry before we got the two cent rate, we would have gotten, on the state business, $666,000 a year more than we got under the two cent fare: that is right?

A. That is the way the statement is worked out?

Q. And on Interstate business, it would have amounted to $509,000: that is right?

A. That is the figure in the statement.

Q. Turning back to Exhibit 2: have you made any figures along that line at all?

A. No sir.

Q. Take schedule 7 of Exhibit 2 of the Frisco Road, which shows passengers carried one mile for the state, in 3 months, 31,042,395?

8961

A. Yes sir.

Q. Put that down and see where you land there. Those figures you have checked. Put down 31,042,395, and multiply by 6.9 mills, that we say we lost. What would be the result?

A. $214,192.52.

Q. In other words, upon the three months' statement which you checked (and we have now given you the figures for the entire year so you could have the benefit of it) but in the three months' statement, that statement which you say you have checked, the actual loss upon the State passenger business was over $214,000? That is irrespective now of any question of increased travel, that being a matter we will leave to the Court?

A. The number of state passenger miles multiplied by 6.9 mills, would show a loss of $214,192.52.

Q. Now the point I am putting to you, Mr. Taliaferro, is plain every day language that any man can understand.

If we are entitled to charge in those 3 months that which we were entitled to charge before the 2 cent rate came into effect, we would have gotten more than $214,000 more than we got from the State passengers alone?

A. I always thought they expected them to lose something by the enforcement of the 2 cent rate. They could not expect to cut the rate from 3 cents to 2 cents, and not lose something.

8962

Q. The total state passenger earnings were $599,000, weren't they for the three months?

A. Earnings on passenger business.

Q. That is $600,000, in round numbers?

A. Yes sir.

Q. Now cut off $14,000, and you have $200,000 in round numbers that we lost. In other words, it is in the neighborhood of 33⅓%,

just about the proportion of difference between the 3 cent and the 2 cent rate, isn't it?

A. We are figuring here on a reduction of 6.9 mills.

Q. I know, but in round numbers we would have had $814,000 instead of $600,000 earnings, wouldn't we?

A. I wouldn't say that, either.

Q. Why not?

A. Certainly $214,000 and $600,000 would be $814,000. But I have no means of knowing how many more passengers you carried under the 2 cent rate.

Q. For the purposes of this case, I am leaving that question to the Court to determine. If there is anything that ought to be deducted on account of an appreciable gain by reason of the 2 cent fare, let the Court decide that, and make the allowance. But
8963 without regard to that it would have been $814,000, wouldn't it?

A. I don't say that. I say no human being could say what the passenger earnings would have been at 3 cents a mile, unless you assume to start with that they would have been the same.

Q. I don't care what term you calculate or figure it, or anything else, but if, during that three months, if the State had let us have, or if the court, by its injunction would have let us have the old law in force, and the privilege of charging just exactly what we got the day before the 2 cent rate went into effect, we would have gotten in dollars and cents from state passengers, $214,000, in those three months, more than we did get?

A. Do you want me to answer that?

Q. Yes?

A. I would say I don't know whether you would or not. You might have gotten it.

Q. Why wouldn't we have gotten it?

A. There is no comparison there, you see. This is a figure based on 6.9 mills.

Q. Yes?

A. The rate was cut one whole cent.

Q. Yes.

A. I don't know whether you would have lost 6.9 mills average per passenger or not.

—. I am not saying what we lost, but I say, give us the privi-
8964 lege the day after the law was passed to charge what we had been charging the day before it was passed, and the result would have been that in three months we would have had $214,000 more in our coffers than we have?

A. I cannot say that.

Q. You can answer it if you want to?

A. I can say that the number of state passengers carried in that time multiplied by a loss of 6.9 mills per passenger, would represent $214,192.52.

Q. Now, Mr. Taliaferro, I will come at it in another way:

Those figures have been given in that statement. They have been

sworn to. Practically the same figures exist for the Burlington, the Santa Fe and the Missouri Pacific, the details of which were shown here.

Now can you tell us, or can you tell the Court, how much per passenger, per mile, we were receiving in Missouri prior to the passage of the two cent law?

A. No sir.

Q. Can you tell us how much we received afterward?

A. I can tell you from this statement what you got.

Q. That is, from exhibit 2 in the Frisco case, which you have checked up?

A. Yes sir.

Q. What was it?

A. On the state business in those three months the earnings per passenger mile were 1.93 cents.

8965 Q. For the state?

A. Yes sir.

Q. And for the interstate what was it?

A. 1.73 cents.

Q. Now, for the year it was 1.87 cents for the state passenger, I believe, as shown by Mr. Nay's Exhibit 55: can you tell us what it was before?

A. For the three months it was 1.84 cents, or practically 1.85 cents. The average is less on the interstate than on the state.

Q. There is some difference, Mr. Taliaferro—before I proceed to another subject, there are some differences that will account for it, when you are allowed to charge a 2 cent fare, for not getting up exactly to that limit. That is to say, competitive business makes a big difference. Take it between Kansas City and St. Louis, what is the short line?

A. The Wabash.

Q. With what mileage?

A. 277 miles.

Q. The Burlington, the Missouri Pacific and the Alton have roads between those two points also: what are their mileages?

A. The Missouri Pacific 283 and the Rock Island 300. I do not know that those are exact figures.

Q. That will do for purposes of illustration. That is 23

8966 miles difference?

A. Yes.

Q. So that on every passenger across the state, carried on the Rock Island Road, would be carried 23 miles for nothing, before we could begin to charge him 2 cents per mile?

A. The average would be——

Q. For freight there seems to be some difference. For some reasons explained by the experts, the rate is fixed betwen the two rivers, so that the Hannibal short mileage, between Hannibal & St. Joseph, fixed the number of miles for the freight: that is right?

A. It fixes the rates for all the other lines.

Q. To give you a good illustration, the rate is fixed from Hannibal

to St. Joseph, because those are the nearest points between the rivers?

A. Yes sir.

Q. While the Burlington road goes across the state with freight, and this is a freight law upon a mileage basis practically, that we are considering here, yet while the Burlington Road crosses the State, and charges at the mileage rate for only 196 miles, the Rock Island Road has to do the very same thing, but has got to carry that freight 300 miles, practically 104 miles further at the same rate, hasn't it?

A. They do that.

Q. I say, that is the result of what these experts have been
8967 calling competitive conditions?

A. Yes sir, but I would like to say this: that I do not think the rate from Hannibal to St. Joe is fixed with reference to the 196 miles. In other words, it is not a mileage basis that happens to be so much for 196 miles, but is a rate fixed between the rivers. Now, then——

Q. What I meant to make plain is your maximum freight rate law in controversy here, is fixed upon the mileage: isn't that so?

A. Yes sir.

Q. Now the Burlington road, having the short line from Hannibal to St. Joe, that being 196 miles between the rivers?

A. Yes.

Q. That makes the rate for every dollar of business that the Wabash road, with its 277 miles, carried from St. Louis to Kansas City, doesn't it?

A. Yes sir.

Q. And it makes the rate for every dollar of business, and every pound of freight carried by the Rock Island Road, with its 300 miles, between the rivers?

A. It makes it as the rates are adjusted at this time.

Q. And have been adjusted ever since we have known anything about the adjustment of rates. Isn't that so?

A. Yes sir, I think they have been so adjusted.

Q. And so the result is, as to a great mass of this business,
8968 there would be a very good reason for the state wanting to measure everything by the returns to the Burlington, as the short line, instead of by the long lines that would have all this waste haul, wouldn't there be?

A. That might be true.

Q. And so as to the passenger traffic, the same result would be true, wouldn't it?

The COURT: On the Wabash or Rock Island, from a station 20 miles west of St. Louis to St. Joe, what would be the rate, on the basis of the Burlington?

A. No sir, except that they would not exceed the St. Louis rate.

Q. And that would remain that way until you got down to some station west of St. Louis, which would be only 196 miles from Kansas City.

A. Yes sir.

Mr. HAGERMAN:

Q. But wherever you strike a competitive point between the two, the Burlington Short Line mileage would determine the rate.

The COURT: Then when you get to some station on the Burlington or Wabash, 196 miles from St. Louis, from there on it would be on the mileage basis: is that so?

A. I am not sure I understand you.

Q. The town of Podunk upon the Rock Island is a certain distance west of St. Louis, and is 196 miles from Kansas City:
8969 so from that town on in to Kansas City, the rate would be on a mileage basis?

A. If it were less than the St. Louis rate, yes.

Q. That station you said would be the same?

A. The rate from Hannibal to St. Joe, being fixed as the same from St. Louis to Kansas City, then I say no point between Kansas City and St. Louis could exceed the St. Louis rate. But it might be less if the mileage made it so.

Mr. HAGERMAN: To make it still plainer, that same rate running across the state would apply to all competitive points, and without taking them all up indiscriminately, let me give you an illustration: 196 miles measure the rate between the river, because it is the short line, and the Burlington road happens to have it. Now take for instance the Wabash road, which goes 277 miles. When these roads get to Chillicothe they have both got a common point, half way across the state, haven't they?

A. Yes sir.

Q. It is further from St. Louis to Chillicothe, a great deal, than from Hannibal to Chillicothe, because from Chillicothe in it would be the same distance by both roads. Then the rate fixed by the Burlington railroad, between Hannibal and Chillicothe, necessarily must become the rate between St. Louis and Chillicothe, no matter what the distance may be. Isn't that right?

8970 A. Under present conditions, yes.

The COURT: You say "under present conditions:" Can that be changed—unless the other line gets all the business.

A. This was a case between Hannibal and Chillicothe and St. Louis and Chillicothe.

Mr. HAGERMAN: I was showing that it was not confined to busines across the state?

A. I think the short line, of course, would get the business under those rates.

Mr. HAGERMAN: There has been so much talk by many of us at different times, as to what cases we would or would not try, that I wanted to use a practical illustration to show why it is not fair to the railroads not to take in the entire situation in Missouri.

The COURT: You say it is not fair to take the Burlington Road?

Mr. HAGERMAN: Yes sir. I do not blame the state for wanting to take the Burlington.

Q. Mr. Taliaferro, I want to run through your exhibts a minute. The first I believe is No. 60?

A. Yes sir.

Q. That reviews Mr. Peabody's Exhibits 39 and 40, doesn't it?

A. Yes sir.

Q. There is no criticism of Mr. Peabody's statements or
8971 their accuracy?

A. Well, of course we accepted the train miles and the passenger miles as being correct.

Q. That is what I am getting at. Mr. Peabody's is here, and if there is anything wrong with his figures let us give him a chance to correct them?

A. I will say that Mr. Peabody was asked a question, about the only thing I would criticise about the same charges per mile for a four car local train as for an 8 or 9 car through train.

Q. Otherwise you have no criticism to make of his figures?

A. No sir.

Q. What you have done there is to take his figures, which are made up by taking actual occurrences upon the trains as they are run, both state and interstate, both local and through trains, and you undertook to make a theoretical calculation upon the basis, that if you would separate all that travel, and put these state passengers upon the local trains, and all the interstate passengers upon the through trains, the result would be as you show it there?

A. Yes sir.

Q. There is not a railroad in Missouri run upon that principle, is there?

A. I don't think there is.

Q. And never has been?

8972 A. I cannot answer that.

Q. And you have no reason to think there ever will be?

A. I can see how it might be done.

Q. You can see no reason why it ever will be done, practically?

A. Unless the railroads have to do it in self defence.

Q. In self defense from what, a 2 cent fare law?

A. Well, this shows they could carry the people, as I see it, at 2 cents per mile, if they made them all ride on the local trains.

Q. This statement of yours, exhibit 60, shows that?

A. Yes sir, that is the way I see it.

Q. That figures it that they could do it. Theoretically if they would do so have you any figures how they can do it as they are doing it now, with their earnings, and with their property just as it stands?

A. No sir, but I say this: that these through trains make various stops in the state. Now where they stop people will get on, and then get off at some other place where they stop, and the effect of that is to make the number of passengers handled on the trains that make all the stops, very few. I don't know whether it is practicable or not. I only say that the trains do stop everywhere, and I think they could carry all the people who want to travel.

Now if the use of the through trains were denied to the
8973 state passengers, then they would have to go on those local trains. And I understand from the testimony here that low

fares or high fares do not stimulate or develop travel. People go when they have to.

Q. That is your observation?

A. I think that is probably true.

Q. There is another point, we might as well agree upon: take a year's business in and out, and the two cent fare has not appreciably stimulated traffic?

A. Mr. Hagerman, that may be true, but——

Q. But take it——

Mr. LADD: Let him answer.

A. I live in Ohio, you know, and I went down to Columbus, and I talked to the Secretary of the Railroad Commission there, and I also got a copy of the Commissioner's report. They have a two cent law in Ohio. That report showed that in the year in which they operated under the two cent fare, the earnings were larger on the whole, than they were for the year in which they operated under the three cent fare. That is, they had operated for nine months under the three cent rate, and for three months at the 2 cent rate.

Q. That would depend altogether upon how much they had been increased each year—and, any how, the testimony shows that a peculiar situation was created in Ohio, by reason of the number of electric lines put in, naturally decreasing the number of passengers
8974 on the local trains.

But take it here in Missouri, we have had two years of the two cent fare. Would your statement hold good that there is nothing in that period of time to indicate any special or particular sti· .ulation in state travel?

A. I suppose the slump in business affected it.

Q. The slump in business did not affect it very long. Take it for a year's period. You have been in charge of this business as the State's expert, and you have heard our figures on the question of the stimulation of traffic, and I understood you to say that in your judgment there was not any substantial stimulation, because in the long run people would travel when they wanted to, or had to, whether they paid two cents or three cents fare?

A. No sir, I don't think I said that.

Q. What did you say?

A. I said that for the purposes of this exhibit, we had assumed the travel was exactly what it would have been whether the people rode on the local trains or on the through trains. That is all. And that the testimony in this case, supported not only by opinion, but by figures, was to the effect that the two cent law had not stimulated traffic, that the people rode only when they had to, so I am saying this number of people would have ridden any way.

Q. So you are assuming in this statement, for the reasons
8975 just given, that there was not any substantial stimulation in passenger traffic, by reason of the two cent rate?

A. This statement does not involve any change at all.

Q. I am asking you, if in the statement you have put in there for the reasons you have given, you have not allowed any thing for stimulation?

A. That question does not come in to this exhibit.

Q. But you have other exhibits, Mr. Taliaferro? Are they in the others you have introduced?

A. I cannot think of any others.

Q. Isn't it safe to say, with the case we are dealing with your exhibits and our exhibits, that it is safe to assume that?

A. We have not been dealing with it in our figures.

Q. Where did you get your revenue per passenger per mile?

A. For exhibit 60, you mean?

Q. No sir, it is 61, I think.

Now without taking any great length of time on that, in the first place you have calculated there on the basis of the interstate cost being less per passenger per mile than the state?

A. Yes sir.

Q. And in one instance you put it at 10% and in another at 20%.

A. Yes sir.

Q. Then you throw the miscellaneous passenger earnings with the passenger earnings, don't you?

8976 A. Yes sir.

Q. So as to get the total earnings?

A. Yes sir.

Q. In other words, the only thing we are dealing with now in the passenger case, is the rate that comes from the class of travel governed by the two cent fare?

A. Yes sir.

Q. And so you group together the miscellaneous earnings as a part of the earnings?

A. I gave my reasons for that this morning.

Q. You gave your reasons, but that is what you do. I am trying to get this exhibit right?

A. Yes sir.

Q. Then you take out the taxes, so that is not treated as an expense?

A. We add them at that point. We deduct them later on.

Q. If you do you have some purpose in doing it, I suppose?

A. No sir. We did not want to show a reduction per passenger mile for taxes. We got the single figures on the operating expenses on which we wanted to apply the various estimates of cost.

Q. Before you get your total expenses, you are going to divide upon the basis of passenger miles, you have taken out your taxes, and taken out these so called Kansas City, Ft. Scott and Memphis rentals?

8977 A. Yes sir, we have taken out all rentals.

Q. You have taken out all rentals, everything used in the way of rentals, and taxes is taken out, and as the result of that you have thrown together the state passenger business, with which we are dealing, and the miscellaneous passenger business, with which we have no concern. And those two added together make your sum total of revenue from the passenger business?

A. Yes sir.

Q. Then you take out of the operating expenses the taxes and rentals?

A. Yes sir.

Q. And then you ascertain the sum total of all the expense of doing the business, both passenger and miscellaneous, don't you?

A. Yes sir.

Q. That is your $974,000.

Now when you have that, you divide that expense between state and interstate, on a passenger mile basis?

A. Yes sir.

Q. And in that way you get 59% of those expenses, take it away from the passenger earnings, to a certain portion, and apply it to the revenue that comes from miscellaneous earnings?

A. Yes sir.

8978 Q. In other words, you divide the miscellaneous earnings between state and interstate upon a passenger mile basis, for the reasons that you gave before, as to why the passenger mile basis was the right one: is that correct?

A. Yes sir.

Q. Now this extra cost of interstate over state business: how do you figure that? What do you allow the extra cost on? Just the passenger business, or the passenger and miscellaneous?

A. Well, of course, I don't think the railroad companies know themselves what the express earnings are made up of. They know they get so much from the Express Companies. You could not, even in a railroad office, divide that between state and interstate in any way that I know of.

Q. I don't care for your reasons against it. The first point I want to know about is, when you allow, as your opinion, 10% extra cost for doing interstate over state, do you apply that extra cost to anything except the state passenger business?

A. It is applied to the expenses, which include the expense of handling express and mail?

Q. Let us see. In your sub-division of that, you are going to deduct $543,840.00, aren't you, to get your net result?

A. Yes sir.

Q. What I want to know is how much of that deduction is on account of the percentage upon a mileage basis, and how

8979 much for extra cost?

A. I don't understand that question.

Q. You have there as the expense ascertained upon a ton mile basis, or a passenger mile basis, plus 10% extra cost: now I want you to sub-divide it. That is made up of what? That $543,280.00: in other words, how do you get your extra cost in there, and to what does it apply?

A. It is based on passenger miles. I do not say this is absolutely correct. I say it is the best we can do. I believe the calculations are right, but the method is just like all the others.

Q. What do you allow the extra cost on? The full percentage of passenger miles?

A. It is applied on all the operating expenses. I think that is what you mean.

Q. Everything except taxes and rentals?

A. Yes sir.

Q. It is applied to everything else?

A. Yes sir.

Q. Now maybe this will help you some. You give here the assessed valuation of the property, including the franchise, at $20,000,000. Three times that figure would be $61,000,000, representing the value of our property. Don't you do that in this statement of yours?

A. We assume that, yes.

8980 Q. Will you let that stand for the purposes of this case, as the value of the property, upon which we may get a return, leaving it to the court to make the distribution?

A. I don't see that that is anything for me to let stand or take out.

Q. It is in your statement?

A. Yes sir, it is in there.

Q. Did you put it in as representing the value of that property?

A. We put it in as being in accordance with what was referred to by you as a stipulation in these cases.

Q. You are not willing to say that the court may take that as the fixed value?

A. No sir.

Q. And you are not willing to fix a figure that the court may take?

A. No sir.

Q. You are not willing to say whether it shall be $10,000,000 or $60,000,000?

A. No sir.

Q. Take your exhibit 64: that is ascertained by again throwing the miscellaneous freight earnings into the purely state freight earnings, which are in controversy here, isn't it?

A. Yes sir.

Q. When you get them together you divide and charge against each, as in the first division, upon a ton mile basis or

8981 13.1?

A. Yes sir.

Q. And then you ascertain the extra cost upon that percentage?

A. Yes sir.

Q. And so when we get through that statement, the result is that you have thrown in as earnings the miscellaneous freight earnings, which are not affected in any way whatsoever by the law in controversy here, and take it as a whole, the earnings from the state business, haven't you?

A. You understand why we did it?

Q. I understand why you did it, because you wanted the deduction upon the ton mile basis as against the whole?

A. Certainly.

Q. Now listen why I think you did it, as you have given me the

chance to say—if you take the revenue earnings and expenses of the business, the traffic, in controversy here, you charge that diminution that would have been earned in the way of what would have been earned if the law had not been in force?

A. Yes sir, we take that.

Q. But in this way, you add the two together, and divide that diminution, so that the miscellaneous freight gets a good proportion of it, where it ought not have any of it?

A. No sir, I did not say that.

8982 Q. What is the result of yoru figures?

A. What I said is this, and I would like to repeat it: I think it is more correct to divide the miscellaneous earnings upon some basis, and here we have done it upon the revenue basis; and add those earnings to the state and interstate freight I think that is more correct than it is to deduct a part of the operating expenses upon the basis of miscellaneous earnings.

Q. Let us get back to the point I am talking about. Let us assume that the $40,000 or $50,000 diminution in earnings per year, under the class of freight affected by this law, that is the general freight, ought not to be applied to the miscellaneous business. It is a proper deduction somewhere, but it ought not to be applied to that?

A. If I understand your question, I cannot agree with you.

Q. If there is any reason why it should be applied, I should like to know it?

A. I think the business handled on freight trains, and the money earned in connection with handling freight, should all be put together in getting at the final result. And that the money earned by the passenger trains, and in connection with the running of the passenger trains, and the handling of the passenger business, should all be put together.

I do not see how you can say that a certain class of miscellaneous earnings cost the same per dollar as the passenger busi-

8983 ness.

Q. What we did in making the statement was, that we separated and set out the earnings from the general freight, which was affected by the law here in controversy. Isn't that right?

A. Yes sir.

Q. In that way we applied this diminution as a part of the expenses against those earnings.

Now your way of doing it distributes that diminution between the miscellaneous and the general freight?

A. I don't think so, I didn't say that.

Q. Necessarily it does, if you include them together.

A. I don't see it that way.

Q. Well, any way your figures are upon a ton mile basis, aren't they?

A. Yes sir.

Q. What per cent of extra cost do you allow us?

A. There are three figures there. One is the flat ton mile, and the other is 30% more, and the third one is 50% more.

Q. The first statement is gotten up on the theory that the state business does not cost any more than the interstate?

A. Yes sir.

Q. According to your own statement, that is not a true theory, because you testified that the extra cost was at least from 30%
8984 to 50%.

Mr. LADD: 20% to 50%.

Mr. HAGERMAN:

Q. 20% to 50%?

A. Exhibit 2 contains calculations of that kind on the freight earnings basis. I do not mean for a minute that I do not think it costs more per ton mile to do the state than the interstate business.

Q. So the first column must not be taken to indicate, in your judgment, anything in the expense, as allowing for extra cost?

A. That is right.

Q. And you have figured it at 30% and at 50%, is that right?

A. Yes sir. 30% I believe is nearer right than any other figure I could name.

Q. In the previous hearings before the Master, Mr. Schofield, you said 50%?

A. I said 50% as a maximum.

Q. But you never gave it as forcibly in that examination?

A. I am sure you are mistaken about that, Mr. Hagerman?

Q. I will take it back then.

A. You asked me here in Kansas City at one of the hearings, if we had ever worked out any figures that would enable me to come nearer than 50%, and I said yes, that in certain figures
8985 in the Burlington case,—I think it was in the Burlington case, it worked out 35 and a fraction.

Q. That testimony is in the record, and we will see what *is it*. Your remembrance is that it was 50%?

A. No sir.

Q. You did not say 30% before, did you?

A. No sir.

Q. Or 20%?

A. No sir, that is right.

Q. After working since 1906 on these cases, you have come to the conclusion that it ought to be from 20% to 50%?

A. Yes sir.

Q. Now that is upon the ton mile or revenue basis?

A. That is upon the ton mile basis.

Q. Suppose the Court would say that is not the way to ascertain it. All you mean is that that is what it actually costs, however, it may be ascertained, don't you?

A. I don't understand you.

Q. You say the ton mile basis is the right way to ascertain the apportionment of cost?

A. Yes sir.

Q. But suppose the Court finds the ton mile apportionment or the revenue apportionment is the correct basis, then it is a question of who is right in the thing, isn't it?

A. I suppose it is.

Q. In other words, that is a given factor, or the question
8986 is how much more does it cost. If it is 20% all right. That must be ascertained in the way the Court says it should be ascertained, ought it not?

A. No sir. I say that on the revenue basis it costs less, very much less, to do the state business than the interstate.

Q. Now let me see: you mean to say, then, to this Court, that if you take the revenue basis it costs more to do the interstate than the state business?

A. Yes sir.

Q. How much more—because we want your opinion to contrast it with the opinion of the other experts in the case?

A. I would have to work it out first on the ton mile basis and see——

Q. Just give us an estimate. Surely in making a statement of that kind, after all this study, you must have some kind of an estimate to give?

Mr. LADD: Have you worked it out, Mr. Taliaferro?

A. I don't think I have those figures.

Mr. HAGERMAN: Can't you give us an estimate?

A. Yes, I have it here. The revenue per ton per mile on the state freight was 1.739 cents, on practically a 30% extra cost. (It works out 29 and a fraction on the Exhibit put in evidence this morning.) The cost per ton mile would be 8.852 mills. That, however, is before taking out any expenses to put against the
8987 miscellaneous freight earnings, if we tried to do it.

But these figures would show that the state business costs in proportion to earnings, about 50%.

Now the revenue per ton per mile on interstate freight was 1.006 cents. The cost worked out on the sum total of operating expenses, would be 6.858 mills, or nearly 70% of the revenue.

I will say that that is as close as I can come to it now. I think it would be somewhere near 50% on the state business, and 70% on the interstate.

Q. How much per cent increase would you say? We know now how to calculate the extra cost. How much more on the revenue basis does it cost to do the interstate business than the state?

A. On the revenue basis?

A. Yes sir, give it in per cents.

A. About 20%.

Q. 20% more?

A. Yes.

Mr. LADD: You don't mean to say it costs 40 cents. It is 50 and 70. That would be 40%?

A. Yes sir, it would.

Q. Instead of 20?

A. Yes sir. The difference in cost would be 40% of the cost of the state business.

8988 Mr. HAGERMAN: We have what we call "The Sturgis example" here by which the Court can tell in a second the re-

sult. If you will just tell me how much in per cents it costs more to do the interstate than the state business——

A. On the earnings basis?

Q. Yes, on the earnings basis?

A. Based on the figures I have, I would say about 40%.

Q. Turn with me to your Exhibit 62, for a moment. That is made up, Mr. Taliaferro, of Exhibits 19 and 36, the former in the Missouri Pacific, and the latter in the Burlington cases respectively?

A. Yes sir.

Q. Comments made in that case by you and the experts of the Complainants, would be applicable to it so as to render unnecessary any extended cross examination now. Isn't that so?

A. I think so.

Q. You did take certain figures in those cases, and attempt to apply them to the Frisco case?

A. Yes sir.

Q. So if we have pointed out the radical differences why that should not be used here, that would be applicable here because that is the foundation of this statement?

A. Yes sir, I would think they would be applicable here.

Q. What is your Exhibit No. 63?

8989 A. The Cotton Belt made a test on certain through and local trains.

Q. That is the testimony submitted by Mr. Kimbel?

A. Yes sir.

Q. Your Exhibit 63 has what relation to that?

A. The same formula is used, but it is applied to the conditions as we found them to exist on the Frisco.

Q. The Frisco on a certain day (and they took a day without any special motive) July 17, 1907, and on that day there were 57 trains operated, and you took 24 of those trains?

A. There were 57 through trains.

Q. And you took 24 of them?

A. We were able to get through the figures on 24.

Q. And of the local trains, how many were there?

A. There were 24 local trains, but they were partly on the branches.

Q. So out of the total of 57 through trains, and 24 local trains, you took 24 local trains, and 24 through trains, on a certain day, and these figures you have produced here in your exhibit 63 are applying what Mr. Kimbel's figures were down in Arkansas, to these particular trains?

A. Yes sir, except that because some of those locals ran on the branch lines, we thought it proper to eliminate those and we used only the figures for the local trains on main lines, where the through trains run.

8990 That resulted in reducing the calculation from 1312 miles of local train mileage, to 950 miles, and the through train mileage to the same basis.

The usual hour having arrived, recess was here taken until 2 o'clock.

After recess the following proceedings were had.

Mr. HAGERMAN: Mr. Taliaferro, I would like to ask you a word or two about Exhibit 66. The figures you have taken now in the first column of total are from Frisco Exhibit 2?

A. Yes sir, with the transportation expenses further divided.

Q. With sub-divisions of the transportation expenses?

A. Yes sir.

Q. But with the sum total equal?

A. Yes sir.

Q. In the second column you divide state and interstate upon the ton mile basis?

Mr. LADD: Haven't you over-looked that last item?

Mr. HAGERMAN: You also add hire of equipment, but that we said this morning, in order to avoid the necessity of constant changes, if either theory is right, it would not change the result, however, you use it?

A. No sir.

Q. The next column you divide these expenses upon a ton mile instead of upon a revenue basis?

8991 A. Yes sir.

Q. And then in the next column you readjust the division of expenses, or you make your first division of expenses, upon the theory that it costs four times as much per ton per mile as interstate?

A. Yes sir.

Q. Upon what basis did you get those figures? Where did you get your figures four times as much per ton per mile?

A. That is from Mr. Doddridge's evidence.

Q. You take that from Mr. Doddridge's testimony?

A. Yes sir.

Q. You don't say that is the cost?

A. No sir, that was merely a working paper, and I had no idea it would go in evidence. I took them to see how it would come out.

Q. What I want to get at is, here is a paper put in showing some theory of the state, showing what return we ought to have, and what we get, or whether it is as you say, a working basis upon several different theories, to see where it would land you?

A. That is all it is; on certain assumptions it would show certain things.

Q. If the ton mile basis is right, that is your first assumption?

A. Yes sir.

8992 Q. The next is that it costs four times as much per ton per mile, which would eliminate the extra cost?

A. Yes.

Q. And you make the division there?

A. Yes.

Q. And in that way we ought to have 37.62% of the expense charged to the state freight?

A. Yes.

Q. In the next column, you take as an imaginary basis again,

if the transportation expenses alone cost four times as much per ton mile?

A. Yes.

Q. Eliminating all other items of extra cost?

A. Yes.

Q. Then you get the basis upon a certain figure?

A. Yes sir.

Q. Next you have the state business costing 25% per ton less for traffic and general expenses, and 100% more for station yard, train and engine expenses, than the interstate: where did you get that assumption?

A. That comes nearer my own idea as to the cost per ton mile of those classes of expenses.

Q. In that way, even, you increase the per cent on the ton mile basis from 13.1 to 17.76?

A. 17.76 would go to the expenses of all the state freight,
8993 yes.

Q. That would be 4.75% increase?

A. Per ton mile.

Q. It makes no difference how you get the per cent ascertained on the ton mile basis, it would be 4.75% increase of the total expenses?

A. It would not be proper to apply to anything but the ton mile basis.

Q. I know. It is ascertained upon the ton mile theory?

A. Yes.

Q. The next column is estimating state costing 25% less per ton per mile for traffic and general expenses, 100% for station and yard expenses, and 50% more for train and engine expenses, than the interstate: where did you get those figures?

A. Those are assumptions of my own.

Q. It seems to be a different figure?

A. It is a different figure.

Q. Both cannot represent you own idea?

A. They represent the variation.

Q. The last column is if the state traffic costs 25% less per ton per mile (costing less) all of those are upon the basis of the state costing less?

A. On traffic and general expenses.

Q. 25% less for traffic and general expenses, and 100%
8994 more for station and yard expenses, and 25% more for train and engine expenses: that is the basis?

A. Yes.

Q. You say these are only working figures, calculations to see where you would land?

A. That is all.

Q. And they do not represent any definite or fixed idea of the state as to what we ought to get in dollars and cents as a net return upon some kind of a value?

A. No sir.

Q. In our Frisco Exhibit 2, we have divided the state passenger

expenses between state and interstate, with the result, on the revenue basis, of getting $518,111.70; that is in division 7—as passenger state expense, and $318,845.70 as the interstate. You have those figures before you?

A. Yes sir.

Q. Turn over to schedule 7 attached to Exhibit 2. The total passengers carried one mile are shown here for both state and interstate?

A. Yes sir.

Q. Assuming for a moment that the revenue basis of division is right, and that the Court should find from the testimony that ought *ought* to divide it, then take your passenger miles and tell me what it costs per passenger per mile for the state passenger, upon that assumption?

8995 A. 1.67 cents.

Q. And what did it cost per passenger per mile for the interstate?

A. 1.50 cents.

Q. That is to say, if the original division is made upon the revenue basis, and then you apply the total of those expenses to the number of passengers per mile, in order to reduce it down on the state the cost is 1.67 cents, and on the interstate 1.49 cents?

A. 1.67 and 1.50 I have it. And those costs would be as compared with the passenger mile earnings 86.5% on the state, and 86.7% on the interstate.

Q. What do you mean by that?

A. The earnings per passenger mile differ. The state earnings per passenger mile in the state business are higher, so the higher cost is still a less per cent.

Q. It is less than one per cent increase in earnings, but about 18%, isn't it, about 17%, or 18% higher per passenger per mile?

A. I said than on the interstate. I will state that the earnings per passenger mile on the state business were 11.43% more than the earnings on the interstate.

Q. We earned, according to this statement, in the first three months, 1.93 mills per passenger per mile in the state business, and spent 1.67 mills, so the result is that we made, according to

8996 that theory 2.6 mills, without regard to any increased cost of business, without any allowance for interest, and without any allowance for value of the property: that is true, isn't it?

A. Yes sir, and 2.3 mills on the interstate.

8997 T. A. HAMILTON a witness of lawful age, being duly produced, sworn and examined on the part of the Defendants, testified as follows:

Direct examination.

By Mr. S. P. LADD:

Q. Where do you reside?

A. At Webster Groves, Missouri, a suburb of St. Louis.

Q. Are you in the employ of Haskins & Sells?

A. Yes sir.

Q. How long have you been?

A. Since June 1906.

Q. Have you given a good deal of your time since then to assisting them in these investigations which have grown out of this litigation?

A. Yes sir. For about nine months in 1906-07, and continuously since July 22 of this year. With some other short periods in the interval, but they were only a day or two at a time.

Q. You have been with Mr. Taliaferro a part of this time, the witness who proceeded you?

A. Yes.

Q. And other assistants of Haskins & Sells?

A. Yes sir.

Q. You went with them in July, 1906, did you say?

A. June, 1906.

8998 Q. What was your occupation before that?

A. You mean immediately preceding that?

Q. What has been your occupation for say the last ten or fifteen years before that?

A. From 1889 until 1906, until going into the employ of Haskins & Sells, I was engaged in various capacities in railroad work.

Q. Tell what capacities they were, and who your employers were, and where you were located?

A. I started out in 1889 with the Canadian Pacific Railroad at Toronto. I was a messenger boy then, and was about 15 years of age. I stayed there a few months, in the office of the District Passenger Agent, Mr. Campbell. In 1890 I went to the Chicago & Grand Trunk Railway at Detroit, as Junior Clerk in the office of the Assistant General Manager.

Mr. HAGERMAN: Did you say you were Messenger boy up to the time you went there?

A. Yes sir.

Mr. LADD: What were your duties at Detroit?

A. I was junior clerk, doing odds and ends around the office of various kinds.

Q. In the office of the Assistant General Manager?

A. Yes sir.

Q. For how long?

A. 6 or 7 months.

8999 Q. Then what did you do?

A. Then I came down to St. Louis, and went to work for the Missouri Pacific in the General Auditor's office?

Q. How long were you there?

A. That was in 1891. I remained with the Missouri Pacific in the Freight Accounting Department of the General Auditor's office, until the middle of 1892.

Mr. HAGERMAN: What was your position? Just state as you go along, and it will save cross examination.

A. The first work I did in the Missouri Pacific General Auditor's office was copying way-bills, or filing way-bills as they came in off the line. Afterward I spent some time tabulating those way bills

to afford a basis for the agents' freight receivable. In 1892 I went to Houston, Texas, and spent about three months in Houston, in the local freight office of the Southern Pacific Railroad.

Q. What were your duties there?

A. I was assisting in the station car accounts, counting cars in and out of the station.

After three months I came back to the Missouri Pacific and went to work in the same department I had been previously working in.

Mr. LADD:

Q. In St. Louis?

A. Yes. My duties there from that time on were of a general nature. The Chief Clerk of freight accounts, afterward
9000 auditor of freight receipts, by whom I was employed, assigned me to practically all classes of work in his department. I was to assist wherever a man was sick, or temporarily overburdened with work, and the character of the work ranged from checking the agent's freight receivable accounts to the handling of claims for the Freight Auditor. That is handling his end of the freight claim investigations.

In July, 1900, I left the service of the Missouri Pacific.

Q. July, 1900?

A. Yes sir, in July, 1900. I went to the Illinois Central at East St. Louis.

Q. I think you have gotten some of the employments in 1900 that you meant to put in 1890?

A. No sir, I think not, but I can summarize it very briefly.

Q. In 1900 you went to the Illinois Central?

A. Yes sir.

Q. Where?

A. At East St. Louis.

Q. What were your duties?

A. I was bill clerk for the Illinois Central, engaged in making way-bills for the transportation of freight; weighing freight and making way bills for it.

I remained with the Illinois Central for a little over a
9001 year.

Q. At East St. Louis?

A. Yes sir. Then I went to the Louisville & Nashville at East St. Louis in a similar capacity. After about 6 or 8 months, I was appointed Chief Bill Clerk for the company, and was in entire charge of the outbound department of the station. That is, I not only was responsible for the making of the way bills, and the rating of freight, but also in a large measure for the loading of freight on the platform. Not only that but I was in direct — with the platform, the platform foreman was responsible to me, and consulted with me in making up all his merchandise cars and so on, and anything pertaining to the loading of freight and getting it out of the terminal.

I stayed there until the early part of 1905, early in March, I think it was.

Q. With the Louisville & Nashville?

A. Yes sir. Then I was promoted to a position in the office of the General Agent of the Traffic Department in St. Louis.

Q. Passenger Department?

A. No sir, freight traffic. I have never had any passenger traffic experience. I was Chief Clerk to the General Agent from that time until I resigned to accept service with Haskins & Sells.

My duties with Mr. Chandler, the gentlemen I spoke of,
9002 were the conduct of the different business of the office, the handling of his correspondence, the investigation on our own line (I mean the L. & N.) of such over-charge and loss and damage claims as were filed with our office. I might also say, within limits prescribed by the Freight Claim Agent, the settlement and vouchering of those claims.

Another branch of my duties was the handling of orders for empty cars to be placed on the various industrial tracks in the terminals at St. Louis and East St. Louis, and the tracing and arranging for the prompt handling of those cars after they were loaded. The competition at St. Louis in our peculiar territory was very keen. We had the Mobile & Ohio, the Southern Railway, the Illinois Central, the Frisco and the Iron Mountain to contend with. The Frisco at that time was not a very important factor. And the getting of those empty cars placed, and the facilitating of the movement of the cars to our rails after they were loaded, brought me into fairly close touch with the terminal situation at St. Louis as a whole.

I might also say in that connection that when I was in charge of the outbound department of the Louisville & Nashville at East St. Louis, I had the other end of that proposition that is, I had the East St. Louis end of it. It was incumbent upon me, in getting where we could sufficient tonnage of the right character for certain trains, and very often to deal with our connecting lines in getting cars through the terminals.

9003 Q. While you were engaged there in that way, during that period of years, did you become familiar with the terminal situation at St. Louis, and the method in which traffic of various kinds is handled there?

A. Yes sir, I think I got pretty close to the ground on that proposition.

Q. Since you have been investigating the subject under the direction of Haskins & Sells, with a view of obtaining information to be used in these cases, have you been down in those terminals, and not only been down in the terminals, but have you investigated in other ways the methods in which freight is handled, both that originating at St. Louis, and that received by the Frisco and other roads from other roads at St. Louis?

A. Yes sir.

Q. Has that been one point to which your investigations have been directed?

A. Yes sir.

Q. Before I take that up, I will call your attention to another distinct matter.

You live at Webster Groves, do you?

A. Yes sir.

Q. Is that on the Frisco Railroad?

A. No sir, it is between the Frisco and the Missouri Pacific. When I say I live at Webster Groves,—it is pretty hard to draw the line out there.

Q. How do you go home?

9004 A. I use the Frisco to and from Old Orchard station.

Q. How far out is that?

A. 8½ miles from Union Station.

Q. Does the Frisco run suburban passenger trains out there?

A. Yes sir, they run a large suburban service.

Q. How far out do those trains run?

A. Some of them to Pacific, 34 miles.

Q. That is 34 miles from St. Louis?

A. Yes sir, and the majority of them to Valley Park, 18 miles.

Q. How far out do you go?

A. 8½ miles.

Q. How long have you been living out there?

A. A little over a year now.

Q. You go into St. Louis and out every day when you are at home, do you?

A. Yes sir, when I am at home.

Q. What rates of fare are charged on those suburban trains?

A. From our station, basing my statement on the tickets I purchase myself, I buy a commutation ticket for ten rides for 85 cents that is at the rate of one cent per mile. I believe, in fact I know, that the next station East of Old Orchard, or the second station, 1½ miles east, and 1½ miles closer to the city, the fare is only five cents. There they come into direct competition with the

9005 street car lines, and there the fare is 5 cents.

Q. Would that be less than one cent per mile?

A. Yes sir, it would be five cents for 7 miles.

Q. Do you know whether the one cent rate prevails on those suburban trains as far as Pacific?

A. I know it does as far as Kirkwood.

Q. How far is that?

A. 14 miles. Beyond that I do not know.

Q. The kind of tickets you buy are good for five rides?

A. For ten rides.

The COURT: Five round trips?

A. Yes sir.

Mr. LADD:

Q. Do they make any other rates?

A. I was interested in that with a view of making a purchase, and I found that the 50 ride book was on the same basis.

The COURT: You use them within a certain time? They are good until they are used?

A. They are good for the calendar year within which they are issued. That is the small books are. I don't know about the larger ones.

Mr. LADD: How many trains are run daily in this suburban service?

9006 A. On week days nine each way. On Sundays the schedule is 12, six each way, 12 altogether.

Q. How late do they run?

A. The last train leaves St. Louis west bound at 11.25 p. m. And the last train arrives at St. Louis coming east about 11 o'clock. The same train comes in and turns around and goes back.

Q. Do you know as a matter of observation whether the people, or most all of them, who use those suburban trains, ride on those cheap tickets in one form or another?

A. I should say they would, so far as I know they do.

Q. So far as you know, do you think they do?

A. Yes sir, I think they do.

Q. You do?

A. Yes sir.

Q. You have been using them for about a year, you say?

A. A little over a year.

Q. Have you made any investigation, Mr. Hamilton, as to the number of passengers who ride on those suburban trains for any special period?

A. Yes sir. We got from Mr. Douglas, the General Auditor of the St. Louis & San Francisco Railroad, his Conductor's reports showing the number of passengers carried for one day in July, August and September, 1907. Those reports were sent here at Mr. Hagerman's request, and for our convenience.

Q. For what day in those months?

9007 A. For the second of each month.

Mr. HAGERMAN: You requested me to send for them for you?

A. Yes sir, for our convenience.

Mr. LADD: July, August and September of what year?

A. 1907.

Q. Well?

A. The only stipulation we made in that regard was that the day should be a week day and should be representative.

We found some of the trains——

Q. Wait a moment. How much territory did those conductor's reports cover? How much mileage?

A. Of the 18 trains, nine each way, on week days, three ran to and from Pacific. The balance to and from Valley Park. The first distance is 34 miles, and the second is 18 miles.

Q. Did those conductors reports cover any other part of the road except that?

A. No sir, those are the points between which the trains ran, St. Louis and Valley Park and St. Louis and Pacific.

Q. How did you ascertain as to the number of passengers carried?

A. Some of the trains——

9008 Q. Have you the figures there?

A. No sir, I am speaking from memory.

On July 2 they carried a total of 2466 passengers
Aug. 2 " " " " 2343 "
Sep. 2 " " " " 2630 "

Making a total for the three days
of..... 7439 "

Q. You stated the number of passengers carried on those trains. That number you ascertained from those conductors reports, which were sent up here at your request?

A. Yes sir. I might say in that connection that those were the revenue passengers.

Q. Revenue passengers?

A. Yes sir. A great many of the Frisco employés live in the territory served by those suburban trains, and in making these figures, I excluded the passengers shown as having been carried on free transportation, employés.

Q. Those were paid passengers?

A. Yes sir.

Q. Did you have any means of arriving at the percentage which the number of passengers carried on those trains, on any of your days, bore to the total number of passengers carried on all the lines of the Frisco railroad in Missouri on any one day?

A. Not on any one day. Let me see if I understand your question: You ask if I have the means of making such a calculation, and getting such information?

9009 Q. Yes.

A. I think it would have been possible to do so by taking the reports of all the conductors, that is the conductors on all the trains in Missouri for one day. But that would have been quite a little work, and I didn't do it.

Q. Can you tell with the material at hand, either from the statements which have been furnished by the Frisco Railroad, the average number of passengers carried by the Frisco system in Missouri per day?

A. Yes sir, I can make the figure in a minute.

Q. I understood you had some estimate of the proportion which the passengers carried on these particular trains, bore to the total number of passengers carried on all the trains in the state of Missouri.

State what you did do.

A. I took the total figures, which I quoted, one day for each month, and made a total for the three days, and multiplied that total by 27, as representing the week days in the month, getting the same result as if I had taken the July figure of 2466, and multiplied it by 27 week days, and said that was the total of passengers carried in July, only I made one calculation instead of three. And leaving out the Sunday traffic, which I believe is quite a factor.

Q. In that way you thought you got pretty closely the number of passengers carried in one month?

A. In three months. The reason I took the three months
9010 period was that the original statement submitted by the company covered those three months, and the basis figures

as to the total passengers carried in Missouri were given us for three months.

Q. You added up the number of passengers carried on those three days, and multiplied the result by 27?

A. Yes sir, and used it for the total number carried on those trains. And that figure was 20.9% of the total passengers carried in Missouri during the three months, as reported by the company.

Q. Does the total number appear in their exhibit 2?

A. Yes sir. I speak now of the total number of state passengers carried in Missouri, not interstate passengers.

Q. What did you say the per cent was?

A. 20.9. Practically 21%.

The COURT:

Q. Do their state passengers include these suburban passengers?

A. I should judge so.

Q. Do they?

A. My understanding is they do.

Mr. HAGERMAN: The number of passengers that statement applies to?

A. Yes sir.

Q. Not reduced to passenger miles?

A. No sir.

9011 I might say that the conductors reports from which we compiled our figures do not give the distance that the passengers were carried, but only the number carried on the train.

Q. But they are not carried into the passenger miles or revenue?

A. I don't understand you.

Q. Mr. Hagerman asked you whether they were carried into the passenger mile or revenue?

A. No sir, it only gives the number of passengers carried.

Mr. LADD: What kind of trains are those, how are they constituted?

A. They will vary from 6 to 8 cars on the morning trains. There are two or three trains of about that size, and a like number on the corresponding schedule in the evening. When I say morning trains I mean trains into St. Louis in the morning, and in the evening schedule the heavy movement is out of St. Louis. They run from 6 to 8 cars down to about a four car train in the middle of the day. The trains are usually composed of a combination baggage and passenger car, and the balance of the number I indicated is made up of passenger coaches.

Q. I fancy they would not carry much baggage?

A. I do not believe the trains have a baggageman. I think the brakeman handles what little is offered.

9012 Q. I suppose a good many of those people would not have even a hand bag?

A. No sir. I should say the great majority of them carry no baggage at all.

Q. What kind of cars are those used on those trains?

A. They are cars that have been used in the other train service,

apparently for a long while, and finally they are relegated to this service. They are not new cars, of course. Sometimes you see a train made up of the old style ordinary vestibule, and then a new style vestibule, and then one without a vestibule. The equipment varies. They are cars that have been used in other service, and finally put into the suburban service.

Q. They are inferior in character?

A. Yes sir. While perfectly adequate for the service for which they are used, they are inferior to the service in the through trains.

Q. How about the engines?

A. I don't think you can make much distinction so far as the engines are concerned.

Q. Take the morning train where you live into St. Louis, when it gets into the terminal is that train run into the yard and broken up?

A. No sir, that service is handled in that regard very
9013 economically. The train perforce backs into the station. That is the rule of the terminal railroad association of St. Louis. In backing in it places the engine toward the throat of the station, the mouth of the station. The tracks of course are arranged in Y form. When the train is backed in and has discharged its passengers, it is in shape to run right out again with another load.

Q. It stays there on that track until it gets ready to start out as another train?

A. Yes sir. There is no uncoupling or anything of that sort. I will say this, though, that the morning train carries into the station more coaches than it would need for the mid-day train.

The COURT: They are dead weight back?

A. Yes sir. They cut those cars off and leave them there until they are needed in the evening.

Q. They leave them there?

A. Yes sir.

Q. So they do not carry them back dead weight?

A. No sir.

Mr. LADD: How many passengers are on those trains, each one—not all of them, but one, so as to get some idea. Take that morning train into St. Louis, how do they run?

A. I will have to identify them by the time card, because I have only the numbers here.

9014 Q. It doesn't make any difference.

The COURT: He wants two or three in the morning, during the rush hour, say between 7 to 9 o'clock. Isn't that right, Mr. Ladd?

Mr. LADD: Yes sir.

A. There are several. Take No. 42 from Valley Park to St. Louis.

The COURT: Leaving Valley Park when?

A. That is what I wanted to get from the time card.

Q. About when, 6 to 7 o'clock?

A. Three trains run into St. Louis between 6 and 7.30 in the morning. That train on July 2, carried 331 passengers. Train 44,

which I should judge from its number, was the train following, carried 465 passengers.

The west bound trains in the evening of that day, No. 53, destined to Pacific (beyond Valley Park) carried 290 passengers. Train No. 53 destined to Valley Park carried 333 passengers.

Those same trains carried about the same number of passengers on the two days in the other months.

The trains running during the middle of the day, train 56 from St. Louis to Valley Park, carried only 27 passengers; and train 52, St. Louis to Pacific, carried only 72 passengers.

Q. Those trains are not composed of so many cars?

A. They cut off in the morning the equipment that will not be used until the rush hours in the evening, and they leave
9015 it in the station during the day.

Q. Are those cars coming in in the morning, and going out in the evening, speaking generally, are they well filled?

A. Yes sir, they are all well filled during the rush hours in the morning and evening. They do not haul any more cars than they have passengers for. They leave them in the station until they fill them up.

Q. Do you happen to know, take a train that leaves Valley Park at 6 or 7 o'clock in the morning, or whenever it is, that earliest train in the morning, that lays up on the road for the evening, I suppose?

A. It must necessarily do so.

Q. How many round trips do you know, if you know, do those early trains make?

A. I made some inquiry, and from personal observation I found that there are in that regular service three train crews running 18 trains on week days, which would entail each of these crews handling 66 trains: that is making three round trips.

Q. Some testimony has been introduced here, and given as to the method in which through freight trains are handled, what are called through freight trains are handled, after they get out on the road. For instance, there is a through freight train on the Frisco Road from St. Louis to Memphis, isn't there, what they call their Memphis train?

A. Yes sir, the Memphis Fast Freight, I believe the time
9016 card calls it.

Q. And that runs through to Memphis, does it?

A. The schedule is through to Memphis.

Q. What is the distance?

A. I will have to figure that for you.

The COURT: Perhaps some gentleman here knows?

Mr. LADD: Can you approximate it?

A. Between 300 or 400 miles.

Q. I think that has been spoken of by some of the officials of the company, that part of the road as pretty well crowded with through freight: is that correct?

A. It is a low grade line to Memphis, and while it is not the short line, it is the only direct St. Louis-Memphis line on the west

side of the river. That is, direct line. The Iron Mountain is a little more round about. I think the two of them——

Q. I have the impression, whether right or wrong, that that is considered a profitable part of the system by the officials?

A. I don't know about that.

Q. What?

A. About its being profitable. The Frisco records from the examination I have made of them, indicate that the volume of traffic on that line is heavy.

Q. How about through freight trains starting from St.
9017 Louis with freight on them for Memphis or intermediate points, that would be put on such a train: how are they handled? Do they go through to Memphis if they have a train load of carload stuff, that is, do they go through to Memphis in the same shape as they left in St. Louis, or is that broken up on the way?

A. If I may explain where I got my information, perhaps it will be more readily understood.

Q. That is what we want to know.

A. I examined the wheel reports, which are the reports made by the conductors of freight trains, of what the train has done on the trip, for the 17th day of July, 1907, on the Frisco Road. Then I examined the wheel reports for every revenue freight train that ran either entirely or partly in the State of Missouri on that day. The selection of the day was made jointly by the Superintendent of Transportation of the Frisco and myself, on the basis of its tonnage and ton mileage. The Frisco people, the Transportation Department, get up a daily statement for their Operating officials, of what the road has done in the matter of handling tonnage, and we found that this day was an average day in the three months period, for which the company at that time had submitted the figures as to its Missouri business.

Those wheel reports I abstracted and analyzed, taking off a description of what the trains' performance had been. And on
9018 that I will base my answer to the question you have put to me.

I might say the wheel reports show where each car in the train is taken or picked up by that train, and where it is left by that train. In addition to the number and initials of the car, of course, it shows its contents, its net weight, its gross weight, on the basis of certain rules laid down upon the wheel report itself. Also where the car was way-billed from and to. It gives the engine number and the length of time the engine has been on the road. It also gives the empty cars in the train, and gives regarding them the same information as is given covering the loaded cars.

Answering your question as to what the St. Louis Memphis train on that day had done, I find No. 855 scheduled in the Company's official time card, as the Memphis Fast Freight, running from St. Louis to Chaffee, Chaffee being the first division point on that line.

Q. How far is that?

A. 144 miles. And running under the same number from Chaf-

fee to Memphis, Tenn. I have only concerned myself on the second division with the trains' performance in Missouri.

Q. That is what they call a through train, is it?

A. It is so scheduled. It did carry 16 cars through from St. Louis to the Arkansas-Missouri state line.

The changes of the consist of make-up of the train enroute were, picked up loaded cars——

9019 Q. How many cars did that train start from St. Louis with?

A. I can tell you in a moment, but it will take an extra calculation.

Q. We wont stop for that.

A. That train picked up at Tenbroeck, Mo., one loaded car.

Q. Where is that place, how many miles out?

A. 21 miles from St. Louis.

Q. Go on?

A. It picked up at Crystal City one loaded car. That is 40 miles from St. Louis. It picked up at Chaffee 3 loaded cars, that is 144 miles from St. Louis. It picked up at Hayti 6 loaded cars. That is 214 miles from St. Louis.

Q. Still in Missouri?

A. Yes sir. I have only concerned myself with what the train did north of the Missouri-Arkansas line. It picked up 11 empty cars at Rush Tower, 47 miles from St. Louis; 19 empties at Cape Girardeau, 131 miles from St. Louis. And 19 empties at Chaffee, the distance previously given. Those were additions to the original consist of the train.

It set out—that is left—loaded cars as follows: one at West Kimswick, which is 27 miles from St. Louis. 2 at Festus, 39 miles from St. Louis. 4 at Crystal City, 40 miles from St. Louis. 2 at St. Genevieve, 65 miles from St. Louis. 4 at Cape Girardeau,

9020 131 miles. 1 at Chaffee. Those are the loaded cars set out or dropped by the train.

Q. Is Chaffee a division point?

A. Yes sir. Just a moment please——

It also set out ten empties at Cape Girardeau, 26 at Chaffee, and 6 at Hayti.

Of the original consist of the train 16 cars went through from St. Louis to Memphis, linking up the train north and south at Chaffee, the division point. Those cars went through over both divisions.

That was one train on that day in the St. Louis-Memphis service.

Q. What was done at Chaffee when the train got there? You say some cars were taken on there, and some cars were dropped there, both?

A. Yes sir. They would change engines and the caboose. That is the end of the division. I might say in that connection that I found the tonnage rating of the engines on the Memphis line of the Frisco change at Crystal City, 40 miles south of St. Louis. And on southbound trains from St. Louis, a class 20 engine (the No. 20 indicates its tonnage rate) could haul from St. Louis to Crystal City 1010 tons. South of Crystal City all the way to Memphis, the engine tonnage rating was 2060 tons.

The fact that the rating changes at Crystal City, which
9021 is 104 miles north of the first division point, would indicate that some extra handling would have to be given through freight trains at Crystal City.

Q. Why?

A. On account of the change in the tonnage rating.

Q. What would they do, change engines there, or leave part of the train there?

A. They would either double head the train, that is put on another engine to render assistance, or they would cut out part of the train.

Q. Which was their practice, in point of fact, do you know?

A. They did not, on the day we made the examination, double head any of the trains. I would infer from that that the large number of cars set out at Chaffee, as shown by the wheel report, was due to that change in rating.

Q. Do you know how much of the load of that train was state and how much interstate? Did your examinatiton extend that far?

A. I can tell you as to the car-load business. Do you want the gross weight or the net weight of the freight. Do you mean the tonnage in the cars?

Q. How many cars, for instance, how many cars were state and how many interstate. Can you tell that?

A. Yes, I can tell that. I will have to go back to the
9022 wheelage report for it.

Q. Have you the tonnage there?

A. Yes sir.

Q. Give us the tonnage then, that will do.

A. The tonnage hauled of course varied as cars were set out and picked up. North of Chaffee the train hauled of car-load business 10 tons of state and 277 tons of interstate. 55 tons of less than car-load, which we did not classify.

South of Chaffee the train hauled no state tonnage, no less than car-load tonnage, and 464 tons of interstate car-load tonnage.

I have the figures in ton miles, of course.

Q. Is that the only train you dealt with on that part of the line?

A. No sir, I have all the trains on that day for that line. Counting them as through trains between St. Louis and Memphis, there were two each way, four trains.

Q. Now you have dealt with one train going one way?

A. Yes sir, the first one I have before me.

Q. Take another one?

A. Train No. 822 was the north bound train from Memphis to St. Louis, which is described in the time card as the St. Louis fast freight.

That train picked up two loaded cars at Hayti. Do you want me to repeat the mileage, as on the south-bound train?

9023 Q. No.

A. That train picked up loaded cars as follows:

2 at Hayti, 2 at Ste. Genevieve, 5 at Crystal City, 7 at Chaffee.

Of empty cars it picked up 2 at Chaffee.

It set out loaded cars 27 at Chaffee. That is where the rating decreases. That is where they lighten the load apparently, for the decreased rating north of Crystal City.

Q. They set out how many there?

A. 27 at Chaffee.

Q. What became of them?

A. The record does not say. They were picked up by some subsequent train, undoubtedly.

Q. Where were the rest of those cars bound for?

A. Various places. The wheel report will show, but it will take some little time to calculate it.

Q. Were any of them going out of the state?

A. I will have to get that from the wheel report?

Q. Will it take long?

A. Not very. If I may, I will complete the record of that train, and then tell you.

Q. Go on.

A. It set out 27 loaded cars at Chaffee, 4 at McCoys, and 1 at Crystal City.

It set out 1 empty at Chaffee.

Of the 27 cars set out at Chaffee, the way-billing indi-
9024 cated that 25 covered interstate freight.

Q. That is, going beyond Missouri?

A. Or originating beyond Missouri, one of the two.

Q. So as to these 25 cars of interstate freight, at all events, on its way from St. Louis to Memphis, as to 27 cars, it was set out at Chaffee and left there on some siding until some other train could come along and couple on to it, and carry it away: is that right?

A. I do not know, Mr. Ladd. From the information we have here, without making an extra calculation, that all that freight was to go all the way into St. Louis. On——

Q. Is this a northbound train?

A. Yes sir. For the reason that Chaffee is the handling point or yard for freight that crosses the river on the Thebes Bridge. It might have been destined to eastern points across the Mississippi river, by way of the Thebes Bridge, and set out for that point, or it might have been going into St. Louis. But we referred to the way-bills on each car, and found it was interstate freight.

Q. It was interstate freight on a through train?

A. Yes sir.

Q. Have you got through with that train?

A. Yes sir.

Q. Go over then as rapidly as you can?

A. No. 821, the Memphis Fast Freight from St. Louis on
9025 that day carried 11 cars through, all loaded.

Q. To Memphis?

A. To the state line. Of loaded cars it picked up two at Crystal City, 5 at Cape Girardeau, 22 at Chaffee.

Empty cars, 3 were picked up at Chaffee.

Of loaded cars it set out 16 at Chaffee, 1 at Portageville, 3 at Hayti.

It set out 5 empties at Chaffee.

Q. Can you tell how much of that was interstate, and how much state freight?

A. Of which?

Q. On that train.

A. Yes sir, it would be possible, but it would take some little time.

Q. I don't think we would better stop and take the time, if it would take much time?

A. I might say I have the wheel reports of the classification opposite each car, as to whether it was state or interstate freight, but the time necessary to make a calculation of that kind results from the fact that the stations are indicated on these wheel reports by numbers, which require translation, and that would take some little time. I can prepare figures of that kind if you desire to have it done.

9026 Q. Were there both state and interstate freight on those trains?

A. Yes sir. That train hauled from St. Louis to Chaffee of car-load state freight, 33 tons—car-load interstate 15.3 tons. Less than car-load undivided 125 tons.

Q. That is not divided?

A. No sir, not divided. Unclassified as between state and interstate.

South of Chaffee, that is between Chaffee and the Missouri-Arkansas Line, the train hauled of state—car-load freight 26 tons; of interstate-carload 511 tons. Unclassified less than car-load freight 58 tons.

Mr. HAGERMAN:

Q. What do you mean by unclassified?

A. Not divided as between state and interstate?

Mr. LADD:

Q. Less than car-load freight?

A. Yes sir.

Q. You did not attempt to do that?

A. No sir, we did not, for the reason that while one way-bill would cover the car-load, there were undoubtedly many way-bills to a car-load of less than car-load freight, and we could not be reasonably sure we had gotten all of those in each instance. For that reason we did not classify them at all.

Q. Take the next one?

A. Train 856, St. Louis fast freight, so described in the time card, north-bound Memphis to St. Louis, hauled 9 cars through. Those were loaded cars.

9027 It picked up loaded cars as follows: 7 at Hayti and 27 at Chaffee.

Of empties it picked up 1 at Chaffee.

It set out loaded cars as follows: 1 at Westburg, 1 at Hayti, 28 at Chaffee and 12 at McCoys.

It set out empties 1 at Chaffee and 1 at McCoys. That train handled between the state line and Chaffee, state car-load tons 49, interstate car-load tons 872; less than car-load none.

Between Chaffee and St. Louis it handled state car-loads 349 tons; interstate car-loads 464 tons; less than car-loads undivided between state and interstate 7 tons.

Those were all of the scheduled through freight trains on that line that day.

Q. Did you investigate the local trains on that line that day?

A. Yes sir, but not as to the cars picked up and set out, because we know that they are picking up and setting out all along the line.

Q. Did you investigate as to the relative tonnage of state and interstate freight on the local trains?

A. Yes sir, we made the same classification as was made here; less than car-load unclassified.

Q. Take the car-load freight. You did not undertake to separate the less than car-load, you could not do that?

A. No sir. We could have done it, but with no reasonable
9028 assurance that we had classified all the freight in the cars.

Q. How many local trains are you going to deal with on that part of the line for that day?

A. I will have to count them. I will tell you in a moment. If I can answer your last question a little further, I would like to do so, as to why we did not classify the less than car-load freight?

Q. Go on?

A. A car-load of merchandise, or less than car-load freight leaving St. Louis, might have all its contents taken out on the way to the end of its run, and while the way-bills for the freight put into the car at St. Louis, could easily be located with the assurance that they were all located, the same is not true as to the freight put into the car at the stations along the road. For this reason: the local freight agent as a usual thing bills his freight before the local freight train comes along, and takes the impression way-bill, which is a part of his record. He doesn't know what car that freight will be put in until the train comes. While it is his duty or the conductor's duty to note that information on the way-bill, it is very seldom done, and therefore, we could have no assurance that we had secured all the way-bills for all the less than car-load cars; therefore we did not classify any.

Q. How many local trains are you going to deal with on
9029 that part of the line?

A. I found 8 local trains on the same main line that I have covered with the through train.

Q. Where was the run of those local trains, between what points?

A. The first train out of St. Louis ran from St. Louis to Rush Tower, 47 miles.

Q. That is as far as it went?

A. Yes sir.

Q. Take another one?

A. The next train was from Crystal City to Chaffee, beginning at a point 40 miles from St. Louis. The run of the train I first mentionel overlapped the second train by 7 miles.

Q. What was the run of the second train?

A. 104 miles.

Q. What is the next one?

A. The next is Chaffee to Hayti, 69 miles.

Q. What is the next one?

A. The next train I have here, the haul in Missouri only is Hayti to the state line. Its destination was Big Creek, Arkansas, below the Missouri state line.

Q. How far from Missouri?

A. 18 miles.

The northbound schedule is exactly the reverse of what I have given for the southbound schedule.

9030 Q. You take 4 local trains southbound, covering those days you have mentioned?

A. Yes.

Q. And you take 4 local trains northbound?

A. Yes sir.

Q. Those four local trains, stretched together from St. Louis to the state line?

A. Yes sir.

Q. And from the state line to St. Louis?

A. Yes sir.

Q. Covering all parts of the road in that distance?

A. Yes sir.

Q. And the business that was done by those four local trains on that day, have you combined it, or can you do so?

A. In both directions?

Q. Yes.

A. Very readily?

Q. Take the business of the local trains running south, and put them together, the four of them?

A. The tonnage handled southbound on the four trains was state car-loads, 270 tons; interstate car loads 546 tons; less than car-load unclassified——

Q. On those four local trains going south there was how much state tonnage?

A. 270 tons.

9031 Q. How much interstate?

A. 546 tons.

Q. Twice as much, is that right?

A. Yes.

Q. Just about?

A. Just a little more than twice.

Q. Well?

A. Less than car-load 70 tons.

Q. Of state?

A. No sir, unclassified.

Q. You cannot tell how much was state and how much was interstate?

A. If I may add to that answer, the figures I am giving you are tonnage figures, not ton mile figures. You can have the ton mile figures if you want them.

Q. How much less than car-load freight was there on those 4 trains going south, 70 tons?

A. Yes sir.

Q. What percentage then was the less than car-load freight on those 4 local trains of the entire tonnage of those trains?

A. A little over 8%.

Q. Only 8%?

A. (After figuring:) Yes sir.

Q. And the tonnage of the interstate car-load freight on
9032 those four local trains was twice as great as on the state car-load freight: is that right?

A. Yes sir.

Q. Now take the trains going in the other direction. Which way were those going?

A. The train- I have given you were the south-bound trains.

Q. Now take the north-bound trains?

A. They carried in car-loads state 1306 tons.

Q. That is car-load?

A. Yes sir. Interstate 603 tons. Less than car-load, unclassified, 75 tons.

Q. What was the percentage on those 4 north-bound local trains of the less than car-load freight as compared with the entire tonnage?

A. About 4% or a li'tle over. Not quite 4%.

Q. You made an examination as to some other parts of the road, did you?

A. Yes sir.

Q. What part?

A. The main line from St. Louis to Monette.

Q. Did that cover the same day?

A. The same day, yes sir.

Q. How many trains did you examine on the line from St. Louis to Monette?

A. I would like to say there, Mr. Ladd, that I have ex-
9033 amined that is, I have analyzed the wheel reports for all the trains on the road that day.

Q. That is from St. Louis to Monette?

A. All the trains run on the Frisco road in Missouri on that day. But the records of the way bills for the purposes of classification between state and interstate on the car-load business was such a lengthy task that I only accomplished that for 24 trains of each class. I have data in addition to that for all the trains on the Frisco Road that day.

Q. What are the 24 trains between St. Louis and Monette on that day?

A. I don't know that I have 24 between St. Louis and Monette, but I have all the scheduled through freight trains for that day, and

all of the local trains on that line. Do you want the performance of those trains?

A. Yes. Monette, is that south or west of Springfield, or between St. Louis and Springfield?

A. Monette is 282 miles southwest of St. Louis, or 44 miles west of Springfield.

Q. Trains go through Springfield to get to Monette?

A. Yes sir. That is, going west they have to go through Springfield to reach St. Louis.

Q. Yes sir. What is it about those trains?

A. The first section of train No. 29, train No. 29, running in two sections under the same number. That train ran from St.
9034 Louis to Springfield. It took 22 cars.

Q. Is that a through train?

A. Yes sir, it is called the Kansas & Texas Fast Freight, in the time card. That train carried 22 cars through from St. Louis to Springfield, without a break.

It picked up no cars on the way, and it set out no cars on the way.

Q. So that was the same when it got to Springfield as when it left St. Louis?

A. Yes sir. There is an additional feature on the line between St. Louis to Monette, that does not occur on the line between St. Louis and Memphis. There are a great many hills on the main line between St. Louis and Springfield where trains require assistance from what is known as helper engines. The train I refer to had a helper engine from St. Louis to St. Clair, a distance of 6 miles. It carried in tons of state car-load freight 46 tons; interstate car-load 178 tons; unclassified less than car-load 39 tons.

Q. Mr. Hamilton, can't you take all those trains and bunch them together, bunch your local trains together?

A. On the tonnage?

Q. Yes.

A. Yes sir.

Q. And the through trains too?

A. Yes sir. But as to the trains' performance, that is
9035 gotten up by the individual trains, what they pick up and set out.

Q. I wish you would consolidate that. You have 24 local trains?

A. I have 24 locals on the through lines; 8 on the Memphis line and 16 on the main line.

Q. You have given us the Memphis line. Now take the 16, and give us those, if you will?

A. In addition to the 8 local trains on the main line, these regular trains on the main line between St. Louis and Memphis, I took some branch line trains on branches diverging from that line, and followed the same plan as with the main line from St. Louis to Monette. So the local trains I have are also on branch lines as well as main lines.

As I understand the question you wanted to know what the tonnage performance of those trains, that ply against the through trains on the main line was?

Q. All of them?

A. On the main line between St. Louis and Monette the local trains run on that day——

Q. How many?

A. 6.

Q. Well?

A. Hauled in net car-load tonnage state 476; interstate 471; less than car-load unclassified 216.

Q. Then on those particular trains the tonnage of state
9036 and interstate freight, was about the same: is that right?

A. Yes sir. Those were all the locals on the main line of the St. Louis & San Francisco Railroad between St. Louis and Monette. Do you want the figures for the through trains?

Q. Yes. Those were all the locals you dealt with on that line?

A. Yes, sir, on the main line.

On the same piece of track covered by those local trains the through trains on that day hauled——

Q. How many of them?

A. 16.

Q. That is 8 each way?

A. No sir. There was one train which ran between Monette and Springfield, which has no opposite train, and one train which ran between Memphis and Newburg, which had no opposite.

Q. They were all through trains?

A. I don't mean by that there were no other trains scheduled, but not full scheduled.

They handled in net tonnage state car-load 366 tons, interstate 2639 tons, less than car-load unclassified 992 tons.

Q. What percentage of the through tonnage was state business, car-load business. Have you 24 through trains?

A. Yes sir, on the two main lines.

Q. Well now, take the whole 24 through trains, if you will?

A. I speak now of net tons. The state car-load was 11.6%
9037 of the total tonnage on those trains.

Q. That is the car-load?

A. Yes.

Q. Have you the ton miles?

A. Yes sir, the net ton miles.

Mr. HAGERMAN: What do you mean by "net ton miles"?

A. The weight of the contents.

Q. Of the freight itself?

A. Yes sir. The state car-load net ton miles were 12.5% of the total net ton miles in 624 trains.

Q. What was the tonnage?

A. 11.6%.

I don't want to appear over-officious Mr. Ladd, but you left me with one question only partially answered.

Mr. LADD: I am getting pretty deep into the mire, myself.

Mr. HAGERMAN: I am lost.

The WITNESS: You asked me what the trains on the main line between St. Louis and Newburg did.

I gave you the first train on the list and then stopped. That was a through train that went through solid. That is not at all indicative of what all the trains did. The figures made up did not show that all the trains went through solid. I don't know whether you wanted me to finish the answer or not.

9038 Mr. LADD:

Q. Mr. Hamilton, on the main line of the Frisco, from St. Louis southwest, which is the first division point?
A. Newburg.
Q. How far is that from St. Louis?
A. 119 miles.
Q. And then what is the next division point?
A. Springfield.
Q. How many miles?
A. 119 miles.
Q. Speaking generally, it may be said, that local trains run between division points: is that true?
A. That is true of that piece of line, yes.
Q. From your observation, and from your examination of the method of handling these trains on the Frisco, suppose a car-load of freight was shipped from St. Louis destined to a point between Newburg and Springfield, that is between Division point-, on what kind of a train would that get to its destination?
A. It would arrive at its destination ordinarily, in the local train.
Q. How would it start out from St. Louis?
A. It would leave St. Louis on the through train.
Q. On the through train?
A. Yes sir.
Q. And go how far?
9039 A. To Newburg, the first division point.
Q. And then it is taken by the local train and carried to its destination: is that right?
A. Yes sir. There is one class of exceptions to that, Mr. Ladd, and that is with a car-load of extremely perishable freight. That may be carried from St. Louis to its destination in the through train and set out there.
Q. Suppose there was a car-load of interstate freight destined for a point between Newburg and St. Louis, received by the Frisco at St. Louis, or from one of its eastern connections, would that be handled by the Frisco in exactly the same way?
A. Yes sir. The man who made up the train would not know whether the car was state or interstate, or at least it would not influence him at all in making up the train.
Q. It would go through to Newburg and there be taken by the local train?
A. Yes sir, unless it were perishable freight.
Q. When it got to Newburg what would happen to it?
A. It would be set out of the through train.
Q. Set out on the side track?
A. Yes sir.

Q. And there it would wait until the next morning, until a local train was made up, of which it would constitute a part?

A. Yes sir, if it arrived in time for the local. And if not it might lay over and wait until the next day's local.

9040 Q. So that car-load freight destined for points between division points, both state and interstate, are handled and carried to their destination by the same class of trains all the way through, unless you except perishable freight?

A. Yes sir, as a usual thing.

Q. Either Mr. Gray or Mr. Tyler, in describing some of the short lines in the southeast part of the state, operated or owned, I think, by the Frisco, he spoke of some of them as the Houck lines, and spoke about the lines being so short they were obliged to run trains on them with the shipment lying idle for a good deal of the time: did you make an investigation into that?

A. Yes. My answer will cover only the engines.

Q. The engines?

A. Yes sir, and probably the cabooses. And in the case of mixed trains, the passenger equipment used on those mixed trains.

I find one engine, Nos. 153, pulling six trains in the course of a day——

The COURT:

Q. What is that?

A. One engine pulling six short trains in the course of the day.

Mr. LADD:

Q. On as many different branches?

A. No sir, making a round trip on each of the three branches.

Q. The same engine?

9041 A. Yes sir, the same engine, according to the conductors' car reports.

Q. Did that keep that engine pretty busy during that day?

A. It made 83 miles during the course of the day.

Q. So as to that engine and fireman, can it be said it was lying idle?

A. Considering the character of the train it was handling, a mixed train handling freight and passengers, I think it was kept fairly busy.

Q. Did those branch lines all converge at one point?

A. One run was from Kennett to Hayti. Midway on that branch is a branch over from Pascola to Waddell. According to the time card, the train would make its trip there on its way over to the longer branch. The other branch was from Kennett to Leachville and back. Presumably when the train returned from Kennett to Hayti it went down to Leachville and came back. That was one instance. There are others.

Q. Another subject. What do your investigations of these trains you have referred to, show as the realization of the engine efficiency on through and local trains?

A. In order——

Q. It has been said here, I believe, or suggested, that there is a

great waste of efficiency. Give your figures now, if you have got any, on that subject?

A. In order to explain why I have expressed the engine's performance as compared with its rating in ton miles, I would like to say that the peculiar physical deformity of the Frisco road is
9042 such that the ratings of their engines of all classes vary even on the same freight division.

Q. You refer to Gray's now, I presume, don't you?

A. Yes And while the expression of engine rating in tons as compared with the tons hauled by the trains would not move anything, for the reason that the tons hauled might be set out after the engine had gone only five miles of its run, or it might have hauled the five tons for the rest of the way; so I have figured what the engine was capable of, based on the time card dead freight rating in ton miles, taking the rating for each section of the road (that is dead freight rating in tons) and reduced it to ton miles. Then I have taken the ton mile actually made behind that engine, and compared them.

That figure covers all of the local trains and all of the through trains run in the State of Missouri on the 17th day of July, the day we are talking about.

This is gross ton miles. It means everything behind the engine.

On the local trains had the engines realized their full efficiency, as per the company's rating table on the time card, on the total of 92 trains they would have hauled 3,050,330 ton miles.

Q. Gross tons?

A. Yes sir, that was their capacity in gross ton miles.

Q. That was on the local trains?

9043 A. Yes sir. They did haul 1,306,335 gross ton miles.

Q. What per cent is that of their efficiency?

A. Approximately 40%.

Q. Take the local?

A. There is a little further explanation needed in connection with the through trains. They are helped over certain sections of the road. The grades are such that the train would either have to be cut in two or do what is called "double the hill" or be helped by another engine. And wherever a helper engine has been used, I have figured the ton miles that that helper engine could have made, and charged the other engine up with that also. I might say that is a very small figure.

Q. These figures you are giving us are the actual performance of certain engines whose numbers you can give?

A. Yes sir.

Mr. HAGERMAN: Not actual. You say it is based on what could have been done?

A. That was actual. That was based on the conductor's wheel reports, and comparing that with that they could have done. The through train engines including the helpers could have hauled, on the dead freight rating basis 8,622,105 tons.

Mr. LADD:

Q. Ton miles?

A. Yes sir, ton miles. They did haul 5,946,344 gross ton miles.

9044 Q. What per cent is that of their efficiency?

A. (After figuring.) It is 69 and a fraction, almost 70%.

A. 70%.

A. Yes sir.

Q. And the local was 40%?

A. Yes sir, roughly. I can give you the exact figure on the local in a minute.

Q. You have these percentages you gave a few moments ago: haven't you those all figured out?

A. Yes sir, that is the recapitulation.

Q. I think you did not state them exactly that way?

A. I said the through trains were 70% of that figure. It was actually 68.96%.

Q. And the local?

A. Instead of 40% they were actually 42.82%.

Q. Now can you tell anything about the net ton miles? These are gross ton miles you have been dealing with now?

A. Yes sir. I don't believe the net ton miles would mean much compared with engine rating. The train might have been almost full of empty cars, and carry no load at all.

Q. Can you tell what the net ton miles were per train mile.

A. Yes sir.

Q. On the locals how much?

A. On the local trains the net ton miles per train mile were 141.

9045 Q. And on the through?

A. On the through trains 269.

Q. What per cent is the smaller of the larger?

A. The local net ton miles are 52.42% of the through freight trains net ton miles.

Q. Per train mile?

A. Yes sir, per train mile.

Q. Now can you tell about the weight of the cars?

A. The cars used to carry freight?

Q. Yes?

A. Yes sir.

Q. Give it per train mile?

A. On the through trains the dead load of the loaded cars, that is the weight of the car in which the freight was transported was 275 tons per train mile. That was 102.2% of the loading of those cars.

Q. That is what you would call the live load?

A. Yes sir.

Q. Just repeat that so we can understand it. The dead load on those through trains was how much?

A. If we take the loaded cars, the dead load, the weight of the cars used to transport the freight, averaged per train mile, 275 tons. That is, the contents of those cars averaged per ton mile 269 tons. In other words, the weight of the cars used to transport the freight,

was 102.2% of the weight of the freight itself, if expressed in averages per ton mile.

9046 Q. When you speak of the dead weight of the car, you speak now of cars which had contents, don't you?

A. Yes sir.

Q. You would not include in that any empty cars if there were such in the train?

A. No sir, no empties or cabooses.

Q. Now take the local, and give the same figures as to that?

A. The local trains averaged per train mile for live load, or contents of the car, 141 tons per train mile. The dead load or weight of the cars used to transport that freight averaged 132 tons per train mile. The dead load in that case being 93.6% of the contents of the cars.

Q. And in the other case what was it?

A. In the case of the through freight, the dead load was 102.2% of the contents.

Q. In the case of the through freight, the dead load was more than half, and in the case of the local freight the live load was more than half; is that it?

A. Yes sir, exactly.

Q. That refers only to cars which actually contained something?

A. Yes sir, no locomotives or cabooses.

Q. Mr. Hamilton, what kind of engines are used on the branch lines of the Frisco Railroad?

A. Speaking of their capability in tons?

9047 A. Yes.

A. Less efficient engines. I do not mean that they are less efficient of their type, but that they are types of engines which cannot haul as much as the engines on the main line, as a usual thing. The Frisco people class their engines in tonnage classes numbered from one to about 24, and while the main line engines run in the 20 and 24 class, especially in a hilly country, practically all the main line engines are 20 and 24, while the branch line engines are No. 2, No. 3, No. 5, No. 6 and so on. I say "branches," but I mean local train engines. With the exception that the locals between St. Louis and Springfield are hauled by high class engines, the same as the through freight.

Q. You said in the beginning of your examination that you thought you were pretty familiar with the handling of freight at the terminals in St. Louis; and if you will I will ask you to describe how car-load freight coming from the east, from eastern lines, for transportation over the Frisco for the west or south, is handled at St. Louis. Just explain the details of how that car gets started on its way west from St. Louis?

A. If I may, I would like to preface that with a very rough description of the terminals themselves?

Q. Go on?

A. The Frisco terminals extend from their yard at 7th & Cerre streets, out through the Mill Creek Valley and the River Des Peres Valley about 7 miles, if you please; that is the limit of the terminus

to the southeast junction, where their Memphis line branches
9048 from the Main line.

In those terminals, in addition to a great many industrial spur tracks, and the amount of team tracks and sidings necessary to do their business, there are two freight houses—I will qualify that—one freight house is in that terminal, and one is located elsewhere; one freight house is at 7th & Cerre streets, and another is at Broadway and Biddle streets. It is operated jointly with the Rock Island, and the Chicago & Eastern Illinois Road, and the connection between that freight house and their own terminal is through the medium of the terminal railroad association of St. Louis, and the Bridge Company, whatever they call it.

The terminals also include classification yards, as they are termed, for the handling of inbound and outbound trains. Transfer tracks for the delivery and receipt of connecting line freight. Connections with the other lines in the terminals are with the Wabash at Compton Ave. or 32d street, the Rock Island at Compton Avenue; the Missouri Pacific at Grand Avenue, beginning at 23d street, and the Terminal Railroad Association, the Eads Bridge line—that is, the line that connects directly with the tunnel of the old Eads Bridge at 23d street; and the line connecting with the Merchants Bridge at 8th & Gratiot streets.

Briefly and roughly speaking, those are the facilities the Company
has for receiving and delivering freight at St. Louis.

9049 I might say further that through these other lines, the Wabash, the Missouri Pacific, the Rock Island, the Bridge and the Terminal Companies, they are in position to make delivery to any team or industry track in St. Louis, or in East St. Louis for that matter. So they are able, through their connections to reach the entire territory.

The classification yard for outbound trains is at Compton Avenue. The train is made up there of cars drawn from industrial tracks, that is from manufacturing plants, and the Frisco Railroad's own terminals from the transfer tracks of connecting lines cars of merchandise brought out from the freight house at 7th street, cars of merchandise loaded at the Broadway station, and brought down by the Bridge Company and taken out to this yard. The handling—I want to get the other end in first, as it will sound a little more rational.

The classification yard for in bound freight is at Chouteau Avenue, about three miles from the freight house, and about one mile from their group of connecting line delivery tracks. The trains are broken up in that yard and transported by switch engines to the various connecting lines' transfer tracks, and the merchandise is taken down to the freight house for unloading.

Q. Mr. Hamilton, I want to know what is done with a carload of freight that comes over the Baltimore & Ohio, to go to Springfield,
or any point on the Frisco road: what is done with it at St.
9050 Louis.

A. I was laying the basis for that, so that when I started to talk about terminals we would know what the terminals were.

Q. I think you have gone into that sufficiently, because those locations are not familiar to us and would not mean anything.

A. The car would be brought over the bridge, there is a transfer line from the other side of the river, and would be delivered by the Bridge Company to one of the transfer tracks at either 8th street or 23d street.

Q. Does that transfer track belong to the Frisco railroad?

A. I am not positive as to that. It might be the bridge track built into the Frisco's yard.

Q. Where is it?

A. The Merchants Bridge connection is at 8th & Gratiot streets, and the Eads Bridge connection at 23d street.

Q. Where does the Bridge Company, or whatever company it is which brings it across the river, leave it for the Frisco to take hold of it?

A. They leave it on that transfer track. The Frisco engine takes the car or cars up to the Classification yards.

Q. Up to the Frisco Company's classification yard?

A. Yes sir.

Q. How far is that?

A. About 24 blocks, I should say.

Q. How many miles.

9051 A. About 1½ or 2 miles.

Q. What is done with it at the classification yard?

A. There may be no more cars than one. Assuming it is one, it is put on the proper track and put into the proper train, the proper train in process of formation at that time. What was the destination of that car, Mr. Ladd?

Q. Any point west of St. Louis on the Frisco road?

A. If the car were destined to Springfield it would be put into a through train from St. Louis to Springfield, and then it would be taken out of St. Louis by the train.

Q. That is what would be done with that car by the Frisco people at St. Louis, before it got started out on its final journey: is that it?

A. That is the yard handling?

—. Is there anything done in the way of way billing?

A. Yes.

Q. What is it?

A. You assume that the car came from the B. & O.?

Q. I just took that as an illustration, because it reaches the river, but take any road?

A. Assuming the car came from the Baltimore & Ohio Southwestern, it would have to be re-billed. That is a way-bill would have to be made for it by the Frisco people. That way bill would entail a description of the freight, show where the car was destined on the Frisco line, where it originated, assess the company's

9052 revenue, and show the destination of the car. In addition to making that way bill, the car record is a record of the passage through the terminal, a record of its receipt from the connection and its forwarding in the train by the company.

The way-bill would be taken up in the forwarding report of the agent, and handled through his accounts.

In addition to that there would be some clerical work in the yard incident to getting that car from the transfer track into the train. Carding the car, the list of it by the yard clerks, and clerical work in the yard office incident to checking up the train with the conductor and furnishing him with the way-bills.

I think that would be all the attention necessary to get such a car as you have spoken of through the terminals.

Q. Are cars of that kind sometimes detained in the terminals at St. Louis before they proceed on their journey?

A. I have personally known of some very long delays in the St. Louis terminals, speaking of the terminals as a whole, and not particularly the terminals of the Frisco Railroad. I presume what is true of other roads is true of the Frisco and that cars would be delated, especially dead freight, not perishable.

Q. I will ask you what is the situation when you get down to Monette. Are there several converging lines on the Frisco, running out from Monette in several different directions?

A. Yes sir.

9053 Q. How many are there?

A. One into Kansas, and one into Oklahoma, and one down to Arkansas.

Q. You told what would be done with that car at St. Louis. Suppose it was destined for a point in Kansas, or Oklahoma, or Arkansas, what would happen to it when it got to Monette?

A. It is probable that the yard people at St. Louis would have to put it into a train, and so far as that car was concerned, it would go on through to Monette. I think they do classify their business. You are not speaking about car-load business?

A. Yes?

A. Yes, I think they classify their business. That is what would be done generally. They have the Kansas Fast Freight as they call it, and the Arkansas and Texas Fast Freight.

Q. They do classify their cars?

A. You asked what might be done with that particular car?

A. Yes.

A. It might remain in the train and run right on straight through.

Q. Take less than car-load freight delivered to the Frisco Road at St. Louis, and destined to some point west of St. Louis on its line—what happens to it at St. Louis, interstate less car-load freight?

9054 A. Coming from the east to St. Louis?

Q. Yes?

A. There are two kinds of that freight, speaking of it from a handling standpoint. As a usual thing it is considered obligatory upon the various lines to give one another wagon delivery, but as a matter of fact, a great many shipments cross the river, merchandise, less than car-load shipments cross the river in cars. There would be quite a different handling on a shipment delivered to the Frisco on wagons, and a shipment delivered to the Frisco in

a car. In the case of a wagon shipment it is customary to have the teamster deliver that shipment at the door of the freight house.

Q. Where does that teamster start from, what side of the river?

A. I presumed you were talking about an east side shipment.

Q. He loads up his wagon over in East St. Louis, somewhere?

A. Yes sir.

Q. And comes across the river on the bridge or on the ferry?

A. Yes sir.

Q. Well?

A. He arrives at the Frisco Freight House, and is directed by a clerk or somebody kept for that purpose, at what door to deliver that freight. He may have freight to go to a dozen different
9055 points. It is a rule strictly enforced—at least I know it was at the time I had connection with those things, that the traffic master placed that freight at the door of the freight house that best suits the company's convenience in loading. That is right, you know, because it ensures method, and saves confusion on the platform. That freight would be trucked from where the traffic master unloaded it, into the car.

In the case of a shipment crossing the river in the car, the car would be brought over by the Bridge Company.

Q. That freight after being unloaded would have to be loaded into a Frisco car?

A. You are speaking of less than car-load wagon freight?

Q. Yes.

A. Yes sir. In the case of the other class I mentioned, the car coming from across the river, that car would be delivered to the company by the Bridge Company, or the Transfer line, the same as the other car I mentioned, on the Transfer track, the same as a car-load shipment to go out on the road. The car would be taken down to the freight house.

Q. By whom?

A. By the Frisco. We are in their own yard now. That would be unloaded at the freight house. It would in all probability, in a great many cases, it would contain a jumble of freight practically for all parts of the Frisco Road. That is a certainty I found by investigation of the Frisco records, that these cars are badly
9056 mixed up; that there is no attempt made to sort out that freight for the Frisco people. That would entail the unloading of that car, the trucking of the freight over the platform in various directions, and its reloading. In the one case the freight is put on the platform just where it can go directly into the car. In the other case there has been an unloading, a switching of the car, and a reloading. That is the handling as to the two classes of cars that cross the river.

I had some figures as to merchandise cars of that sort that crossed the river for the three months covered by the company's figures.

During that period there were 87 cars of the character I speak of that had to be switched down to the house, and rehandled, after it came from the east side of the river.

Q. Less than car-load freight?

A. Yes sir, less than car-load freight.

Q. Now after that less than car-load freight is reloaded into a Frisco car, suppose it is for some point in Missouri, west or south of Monette?

A. I combined my investigation into the terminals there with some inquiry into and investigation of the car records of the transportation department at Springfield. They have a tracing bureau for their freight.

Q. What happens to that car-load freight at Monette, if it is bound to a point in Missouri beyond Monette?

9057 A. Basing my answer on the information I have just spoken of, I found that a great deal of that freight is loaded to what is called the Monett transfer platform at which point the car would be unloaded.

Q. Again?

A. Yes sir, into way cars, local cars, to run on the three branches diverging from Monett.

Q. And reloaded at Monett?

A. Yes sir, and consolidated with freight accumulated there from all other points along the line.

Q. That is interstate freight, from some point, say Cincinnati, through St. Louis, to a point beyond Monett?

A. Yes sir.

Q. Suppose it is less than car-load freight from Cincinnati to a point over in Kansas on one of those lines that runs from Monett: does the same thing happen at Monett?

A. As a usual thing it would be rehandled at St. Louis. If it were destined to Wichita, for instance, it might escape a second handling at Monett. But if it were destined to a point in Kansas, which was served by a local car running out of Monett into Kansas, it would get another handling at Monett.

Q. Then that freight, if it is going into Kansas, at the local point west of Monett, starting from Cincinnati, less than car-load freight, it is unloaded from the car at St. Louis, and put on to the Frisco freight house platform. Then it is trucked to its proper place,

9058 and reloaded into another car, and in that car it is carried to Monett; then unloaded again at Monett and reloaded again into another car: and that is trans-state freight, is it?

A. It is trans-state——

Q. If it is going beyond into Kansas?

A. Yes sir, as we understood it; it originated in a state beyond Missouri, passed through Missouri, and goes beyond into another state.

Q. Take the case of a car-load of freight originating at St. Louis, and destined to some point in Missouri on the Frisco road: who loads that freight? The shipper in St. Louis?

A. As a usual thing, all car-load freight everywhere is loaded by the shipper and unloaded by the consignee. That is the usual thing.

Q. Where does the car stand that is to be loaded by the shipper, that is freight originating at St. Louis?

A. There are different kinds, from different sources. It might be

from an industry, in which case it will stand on the private spur—I say private spur—but it is a spur put in by the company.

Q. An empty car set there by the Frisco road?

A. Yes sir, a car set there by the Frisco, but not necessarily empty.

9059 Q. You mean a car set there loaded, then unloaded by the shipper, and then reloaded?

A. Yes sir, and especially so in the case of shortage of cars.

Q. Suppose this is not an industry which has a track of its own, and a shipper wants to load a full car-load of stuff, a St. Louis shipper?

A. The railroad has what are called team tracks, a track where cars can be placed for loading, accessible to wagons, where the freight can be loaded directly from the wagons. It may have freight platforms for the same thing. It is practically the same thing.

Q. The shipper loads it?

A. Yes sir, but the railroad company may load it. I can conceive of an instance where a railroad might load a car of freight, but the classification provision is usually that the shipper shall load and the consignee unload.

Q. When it is loaded the railroad company gets up the way-bill and perhaps seals the car if it is necessary and puts it on the team track?

A. Yes sir.

Q. Then what is done with the car?

A. It is taken up to the classification yard and put in the proper train.

9060 Q. In such a case as that, how much more handling or trouble or expense to the railroad company, if any, is the dealing with a car-load of freight, than the dealing with a car-load of freight which comes from across the river?

A. A car-load of freight from across the river——

Q. You have told what was done with that?

A. Yes sir.

Q. Now you have told what was done with a car-load of freight loaded at St. Louis on the team track. Which is the most trouble or expense to the railroad company in getting those car-loads into a train to move?

A. I think at the St. Louis terminals, in a great many cases, or in a case such as you have put, there would be no difference.

In further explaining what I said about the placing of empty cars at industries, or on team tracks, there would appear at first blush not to be any offset against that on stuff that came over the river. As a matter of fact the load that came over the river, might and does in a great many instances, I mean the car that came over the river loaded, might and does in a great many instances come back empty. In other words, it home routes through the junction it went out of. And the return of that empty car to the connecting line, which had originally delivered the road to the Frisco, would in a measure offset the placing of the empty for industrial loading.

There might also be said to make that thoroughly clear,
9061 that it is the practice in St. Louis, especially on the west side lines, to send their cars to East St. Louis for industrial loading, and then in that instance there would not be any return for the empties.

Q. It has been suggested here, as a general proposition, that in the care of interstate freight there is only one terminal in Missouri, while in the case of state freight there are two terminals: what do you say to that as a general proposition?

A. Are you speaking of car-loads or less than car-loads?

Q. I am speaking of car-loads now?

A. I should say as a general proposition that interstate freight originating at or destined to points in Missouri, and becoming interstate by reason of its crossing the river at St. Louis, was on a parity with shipments between St. Louis proper and Missouri points.

Q. How is it with freight originating East of St. Louis, and destined to points beyond St. Louis, car-load freight: is the same thing true?

A. Yes sir.

Q. Both ways?

A. Yes sir.

Q. Which has the greater expense incident to its handling, the interstate less than car-load freight, or the state less than car-load, in that terminal?

9062 In regard to the Frisco Company there are some peculiar conditions there are not generally applicable to the whole terminal. The Frisco has an east side line—I say it has an east side line—it is separate outwardly, but it is generally understood that it is one of the Frisco family, and their arrangements for handling freight would indicate that; it is the Chicago & Eastern Illinois that I speak of. The interchange with the Chicago & Eastern Illinois is under peculiar conditions. There is quite a heavy volume of business from Chicago, which comes down to St. Louis through East St. Louis, over the Chicago & Eastern Illinois, and which goes out over the Frisco. I speak of less than car-load business. At one time it was the practice to load that freight at Chicago in cars that would not have to be rehandled at St. Louis. They were loaded in station order, or for the transfer points on the Frisco, by the Chicago & Eastern Illinois people at Chicago. I found that at the present time, and for about a year past, the loading of those cars had been discontinued for the reason that good use could be made of their tonnage in filling out and arranging the cars at St. Louis, and that those cars are not in the same category with the trans river cars, which I mentioned a while ago.

So that class of freight gets an unloading and reloading at St. Louis, whereas a state shipment, a state shipment drayed to the freight house, would be placed at the door, most convenient for loading, as I explained before, which would entail a loading
9063 expense only. I am speaking now of handling. There would be some little saving on the Chicago & Eastern Illinois freight, by reason of the fact that is way-billed through. There is

not the necessity of making a way bill at St. Louis. But to offset that, a junction record is made of that bill, a passing report made to the auditor, and virtually a copy of the way bill taken in abstract form.

Aside from that there is no difference in the handling of that freight from a way-bill standpoint, than state freight.

So I should say it costs on that interstate freight decidedly more at St. Louis than the state freight.

The other classes of interstate I think I have covered. Of course there are exceptions to all those arrangements. The basis of a car for Springfield might be found at Chicago in an extraordinarily heavy shipment. They might let that run through.

Cross-examination.

By Mr. HAGERMAN:

Q. Mr. Hamilton those suburban trains you speak of at St. Louis, run out practically paralleling the electric lines to Kirkwood?

A. As far as Meramac Highlands, beyond Kirkwood.

Q. And what you did, since you were here the last day or
9064 two, you made a request for certain train reports on certain days, didn't you?

A. Yes sir.

Q. And the figures you have read there, for three days, are the result of investigations since we started in taking this testimony within the last few days?

A. Yes sir, the number of passengers is based on that.

Q. What you have done there is, you have taken the number of passengers that rode on the three days you mentioned, on suburban trains, and reduced that to a larger sum for a month's period, and then compared that with a month's period upon the system?

A. Yes, it makes a three months period; three days multiplied by 27.

Q. In other words, in that there is just a number of passengers, regardless of passenger miles carried and regardless of revenue?

A. Yes sir.

Q. You made some, what you call tests, upon the Memphis & Springfield Division, to get the ton and ton miles?

A. Yes sir.

Q. How many days did that cover?

A. One day.

Q. And how many trains?

A. You mean as to the trains I have classified as between
9065 state and interstate?

Q. I don't care. I want to know how many trains you took on that one day.

A. There were 197 trains run into Missouri on that day. 102 locals and 95 through.

Q. On the entire system?

A. Yes sir. In that connection I would like to say that the classification between state and interstate on car-load business was a

pretty difficult matter. It meant going back to the way-bills, and it is hard to locate cars from a wheelage report.

Q. It is hard work but it can be done. It was hard work for us to go to the way bills and get the state earnings, and go to the tickets, and get the state earnings, but it could be done, if you want to do it?

A. Yes sir. What I want to say is that for that reason we have gotten it only for 48 trains.

Q. That is for one day?

A. Yes sir, that same day.

Q. I thougnt this was made up on the St. Louis-Memphis Division?

A. The classification of state and interstate, those trains are the main line trains on the St. Louis-Memphis line.

Q. And one day's work?

A. Yes sir, one day's work.

9066 Q. How did you compare that with the system, if at all?

A. I did not compare it with the system.

Q. That is one test. How many trains was that made up of?

A. You mean that were classified?

Q. For that purpose. I want to separate the two tests that you made.

A. The trains in that test are included within the other, the 48.

Q. 48 trains running on that division in a day?

A. No sir, there were 48 trains all together, included in the test. 8 were main line trains on the Memphis division. A like number were locals, and the balance were on the main line, St. Louis to Springfield.

Q. That is one day's test. Wha*y* day did you take?

A. July 16, 1907.

Q. Did you make any other test or figure from the Frisco's operations?

A. No sir, not anything of that sort.

Q. That is the extent of your investigation from the actual business of the Frisco?

A. Except that I took the records at St. Louis, at both Broadway and 7th street, and the yard records, and with authority from Mr. Douglas and his agents, went through the terminals and the yards.

Q. Mr. Douglas treated you, as Mr. Taliaferro said, with
9067 the utmost frankness and kindness about giving you facilities to work on?

A. Yes sir.

Q. You have no complaint to make of those people about the way you have been treated in that respect?

A. No sir.

Q. When did you first go to work upon this case?

A. In June and July, 1906.

Q. About the time we began to get ready for the train under the maximum freight law of 1905?

A. Yes sir, about that time.

Q. Have you been with Haskins & Sells ever since?
A. Yes sir.
Q. You have not any figures which you have computed from the earnings upon a ton mile basis, upon your classification made for the entire system, for any extended period?
A. No sir.
Q. You have not testified to anything about the passenger figures?
A. No sir, except as to those suburban trains.
Q. It is quite a common thing for a railroad running out of a large city to run suburban trains?
A. Oh yes, sir.
Q. And in your figures you have not figured passenger miles at all?
A. No sir.

9068 —. Something was said about the terminals: some witnesses have said, for instance that there is one terminal on interstate business?
A. Yes sir.
Q. And no terminal upon trans-state business?
A. Yes sir.
Q. And two terminals upon the absolute state business?
A. Yes sir.
Q. Now, then, there may be instances of the interstate business, or the state business requiring extra work done at divisional points that is not carried into the terminal expenses?
A. I don't know just what you mean by "carried into the terminal expenses?"
Q. The train starts on one division, and has to go off that on another division?
A. Yes sir.
Q. Do you calculate as a terminal expense, the work of transferring it at that divisional point, from one side to another, or one track to another?
A. The changing of the engine and the caboose?
Q. Yes.
A. The caboose might be taken off by the yard engine, and it would be charged to yard expense. And that expense I think would be a terminal expense.

9069 Q. That would be a terminal expense, you think?
A. Yes sir, it is slight, of course.
Q. I think our witnesses have been charging that as a transportation expense, and part of the transportation?
A. Yes sir.
Q. So far as delivering the goods is concerned, the classification as right, that in the trans-state freight there is no terminal?
A. I would not say that on business of the Frisco, Mr. Hagerman.
Q. Let us take it, then, that there is not more than one?
A. I can see where there might be two.
Q. On the trans-state?
A. Yes sir.

Q. And how many on the state. If you are increasing the interstate to two, something ought to be added, probably to the state?

A. No sir, I think a parallel case would be 2 on the state. I speak particularly now, from the standpoint of the business coming in and out of the St. Louis terminals.

Q. Take a car coming from Ft. Smith, Arkansas, up to Chicago, Illinois. How do you get two terminals in Missouri?

A. Car-load?

Q. Yes?

A. That car very conceivably might move to St. Louis in a through train, but it would have one terminal.

9070 Q. How do you get two?

A. It would not have two if it went in a through train; but, it might be set out at Monett, which is the end of the Ft. Smith branch, and it might stay in that yard two or three days, and be moved around and around, and be a burden upon them all the time it was there.

Q. Whatever there is about it, it is manifest that so far as the state business is concerned, there is much more terminal service than on the interstate?

A. Not out of St. Louis.

Q. Oh, well, St. Louis is only a part of the business. I am taking the whole State of Missouri, and the business as a whole of the St. Louis & San Francisco Railroad, practically 1700 miles of road here in Missouri?

A. I think speaking from the St. Louis standpoint, I have some figures on that, Mr. Hagerman.

Q. I want it for the whole state. I don't care for one particular part. Take it as a whole?

A. Throwing a little light on that, here is what I am basing my conclusion on: the interstate tonnage received by the Frisco yards at St. Louis for the three months, ending September 30, 1907, excluding company coal which stopped in St. Louis, was 109,000 tons in round figures. The total tonnage billed out of the station at 7th street, for the same period, was 190,000 tons.

9071 Q. Billed out of St. Louis?

A. Yes sir, which included the first figure. So there were 190,000 tons of interstate, and 81,000 tons of state freight in the total tonnage for those three months.

Q. That was out of St. Louis?

A. Yes sir, but it is conceivable that all that interstate freight made use of the St. Louis terminals, the use I have described before.

Q. I simply wanted to get your view about it?

A. Yes sir.

Q. Is the same thing true as to the passenger business, that you consider the interstate and trans state business gets as much use of the terminal as the state business, and as many?

A. I can readily see how a trans-state passenger, especially through the St. Louis gateway, would make a considerable use of St. Louis terminals.

Q. I am assuming these other experts, who have talked upon the

subject, have taken into consideration every element you speak of, and that in one or several particular instances things might be done, but, as a whole, are you willing to put ip up to the Court here, that in your judgment, as much of a terminal service is rendered to trans state, or interstate, as to state business?

9072 A. Passenger business, you mean?

Q. Yes.

A. I have not given that matter enough consideration to pass on it, Mr. Hagerman.

Q. I wish to ask you, Mr. Hamilton, whether you agree with Mr. Taliaferro, that you have been given free access to all the books and papers and so on, by the various auditors of these different roads, in all your investigations. That is true of all these roads?

A. Most emphatically.

Q. And you find in that respect nothing but words of praise to speak of the various auditors?

A. We have been treated in that respect with all courtesy.

Further consideration of these cases is thereupon postponed until Monday, December 28, 1908, then to be resumed at the hour of 9 o'clock in the forenoon.

9073 KANSAS CITY, MO., *Dec.* 28, 1908.

Met pursuant to adjournment as above on Monday, December 28, 1908, at 9 o'clock in the forenoon.

Appearances: Mr. Frank Hagerman appeared in behalf of the Complainant.

Messrs. F. Lehmann, S. B. Ladd and John Kennish appeared in behalf of defendants.

The following proceedings were had:

Mr. LADD: We have agreed in this case, as in the others, and that is already a matter of record, that the assessments made by the State Board of Equalization is, for the purposes of this case, one-third of what the State Board regarded as the actual value.

In the preliminary statement filed by the St. Louis & San Francisco Railroad Company, the assessment by the State Board is stated to be $20,412,004.90. Now I would like to have your Honor under stand, of course counsel understands, that our agreement extends only to the action of the State Board. And the assessment of the State Board instead of $20,000 and something was $18,000 and something, nearly $19,000. And the difference between the assessment of the State Board and this figure of $20,000 arises from the fact that the County Assessors over the State assess certain portions of the property not within the jurisdiction of the State Board.

9074 The difference is about $1,559,000. Of course as to that, our admission that that $1,559,000 is one-third of anything does not go, because we don't know on what basis the county assesses at. One might be acting in one way and one in another.

Mr. HAGERMAN: Substantially all that $1,559,000 is local property in the large cities. In the other cases we agreed to that I

think. We agreed it was to be on the basis of 2½ times instead of ⅓.

Q. What is it here, Mr. Lewis?

Mr. LEWIS: It is in on a 40% basis here in Kansas City.

Mr. CLARDY: It is 50% in St. Louis.

Mr. LEHMANN: Banks are assessed at 60%.

Mr. LADD: I wanted it made clear that our agreement went only to the $18,000,000.

Mr. HAGERMAN: I think the agreement is in the other cases.

Mr. LADD: Whatever agreement was made in the other cases I am willing to stand by here.

Mr. HAGERMAN: I cannot remember exactly, but that is my impression.

Mr. LADD: I will offer in evidence the assessment of the State Board of Equalization of the St. Louis & San Francisco Railroad property for the taxes of 1907, as it appears in the printed journal of that Board, in their proceedings for the year 1907 as
9075 shown on pages 202 to 241 inclusive of the printed record of proceedings of said Board, which said pages I now offer in evidence as Exhibit "A".

The pages referred to are marked "Defendant's Exhibit "A."

Defendant's Exhibit "A" is in the words and figures following, to-wit:

9076 NOTE.—In lieu of offering in evidence the Statement signed and filed by the Tax Commissioner of the St. Louis & San Francisco Railroad Company with the State Auditor, under sections 9339 and 9340 of the Revised Statutes of Missouri, with a description and valuation of the length and value of the tracks, depots, tanks, and turntables, value in incorporated cities and towns, and description and value of rolling stock of the Company for the purpose of taxation:

It is stipulated and agreed by the parties that the valuation placed upon said property by the said statement and signed by the respective Tax Commissioners of the respective roads composing the St. Louis & San Francisco Railway System, and filed with the State Auditor, was $8,938,134; and that in said statement no reference was made to nor valuation placed upon the item referred to by the State Board of Equalization as "all other property."

9077 ALEXANDER DOUGLAS, recalled, testified as follows:

Cross-examination, continued.

By Mr. LEHMANN:

Q. The St. Louis & San Francisco Railroad Company now does and in the past has, issued free transportation in various forms for people to travel on that road?

A. For railroad employés, yes.

Q. That is at present?

A. Yes sir.

Q. But formerly for others who were not railroad employés, and not members of the families of employés?

A. That is a considerable time past, several years ago.

Q. Do you keep any record of travel and transportation of that kind. Are you able to show how much of it there was for example in the year ending June 30, 1908, and how much for the year ending June 30, 1907?

A. During those years there was virtually none.

Q. As a fact you did not keep a record of that?

A. Oh, yes, we keep a record, but there was none issued to my recollection.

Q. During either of those years?

A. No sir.

Q. How was it during the year ending June 30, 1906?

9078 A. I would not be sure about 1906, without having reference to the records.

Mr. HAGERMAN: What was the date that the Interstate Commerce Commission order went into effect, 1906 or 1907?

Mr. CLARDY: 1907.

Mr. LEHMANN: I would like a statement showing that, if you can make it. My advice was that you did not keep a record——

A. Oh yes, we kept the record at the time, but only a temporary record for the information of our officials. But I know personally there has been virtually none issued.

Q. That is exactly what I want to show. The difference between the time before that law went into effect, under which you ceased to issue such transportation, except to employés, and their families, and since that time?

A. I presume we might obtain that information?

Q. If you can I would like you to do so.

A. That is away back, and usually all that information which is simply for the time being is destroyed after a couple of years.

Q. My advice is it does not exist in respect to your company, and if that is the fact, I would like to have it stated.

A. I don't know whether it exists now, after two years. All information pertaining to temporary records is not kept after two years.

Q. Will you take the two years ending June 30, 1906, and

9079 June 30, 1907, and also for the year ending June 30, 1908, and classify as between such transportation issued to employés and members of their families, and such transportation issued to others?

A. There are none to others. I can say that for 1907 and 1908.

Q. Will you classify that as far as it can be done?

A. Yes sir.

Q. The valuation of the State Board of Equalization was given in your figures according to the report for the year 1907?

A. Yes sir.

Q. And for the year 1908 what assessment did they make? can you give those exact figures?

A. For the year 1908 the State Board assessment was $19,498,-03.80.

Q. Those local assessments were local assessments made under statutes in St. Louis and Kansas City?

A. Yes sir.

Q. Do you know on what basis the assessments are made by the assessors?

A. I am not sure our Tax Commissioner gets that. He reports it in an aggregate amount.

Q. He reports the assessment, but I didn't know but what you knew the basis upon which the assessment is made?

9080 A. I understand it is one third.

Q. Even the local?

A. Yes sir.

Mr. HAGERMAN: My impression is that we agreed in the other cases it was on the basis of 2½.

9081 Mr. LEHMANN: We are dealing now simply with the Frisco case, but there is the same information in respect to free transportation we would like from the other roads.

Mr. HAGERMAN: The State's experts have had opportunity all along to get all that information.

Mr. LEHMANN: We are advised that the railroads have not the information.

I am advised by Mr. Hamilton that he made up a statement after a fashion for the Missouri Pacific, and that it had to be made up from the individual passes. There was simply no account kept of this transportation at all. It is impossible for us to do that with respect to each of the 18 railroads.

Mr. HAGERMAN: If it is impossible for you, then it will be impossible for us to do it.

Mr. LEHMANN: We would like to have those statements made.

Mr. HAGERMAN: You can ask the individual auditors.

Mr. LEHMANN: I think the Burlington also made a showing as to mileage books and interchangeable tickets, and we would like to have such a statement with respect to the other companies, if it can be had.

Mr. LADD: With the understanding promulgated by the Court this morning, that all evidence taken before the Master in the Burlington, Missouri Pacific and Wabash cases is to be considered in evidence in this case, we are through.

9082 The COURT: The Court now states and makes it of record that in addition to the case we have been taking evidence in, being the case of the St. Louis & San Francisco Railroad Company against the State Officers, and being case No. 2988, there are other cases pending, and about to be called for trial, being cases in equity Nos. 2989, 2990, 2991, 2992, 2993, 2994, 2995, 2996, 2997, 2998, 2999, 3000, 3001, 3002, 3003, 3004, and 3006, and by agreement of the parties, and the order of the Court, all the evidence heretofore taken before the Master, as well as all evidence taken before the Court or that may hereafter be taken before the Court, and received by the Court in any one of said cases, shall be regarded as offered and received in each, all and every of the other 17 cases above enumerated. And at the close of the trial there will be a certificate

signed and filed by the trial Judge, covering such matters more in detail.

Mr. LADD: Mr. Hagerman has offered some testimony in regard to the assessments of the State Board for the current year. I would like to offer in evidence now the assessment by the State Board of Equalization, for the St. Louis & San Francisco Railroad Company, as it appears in the printed record of said Board's proceedings, at pages 196 to 235, inclusive.

I also offer in evidence the report to the State Auditor by the St. Louis & San Francisco Railroad Company of its property, and its valuation for the purposes of assessment, for the year 1908.

9083 The defendant here rests.

Evidence for the Complainants in Rebuttal.

H. W. PRESS recalled, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. Have you prepared a statement or calculation as to the passenger earnings and expenses, state and interstate, upon a revenue basis, for the three months ending September 30, 1907?

A. Yes sir.

Q. That includes state and interstate passenger business as a whole?

A. Yes sir.

Q. And that statement allows nothing for extra cost?

A. No sir.

Q. That includes mail, express and miscellaneous, all passenger business?

A. Yes sir.

Q. That is for the three months ending September 30, 1907?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence this statement.

Paper referred to is marked Complainant's Exhibit 67.

9084 Q. Complainant's Exhibit 67 includes miscellaneous state and interstate?

A. Yes sir.

Q. And passenger business, state and interstate?

A. Yes sir.

Q. And allows nothing for extra cost?

A. No sir.

Mr. LADD:

Q. Do I understand that is a summary or condensation of the figures contained in your original statement?

Mr. HAGERMAN: Yes.

Q. That would show how much less than the actual interest on the revenue basis of the amount needed to meet the interest charges?

A. $80,086.64 would be the deficit.

Q. That is if you would charge on the revenue basis to the interest, its proportionate part of the entire interest charge?

A. Yes sir.

Q. And on the basis of the State Board's valuation, what would be the deficit?

A. $808,907.76.

Q. Have you also prepared a summary upon the revenue basis of the State Freight, corresponding with Exhibit 2, and then calculated the extra cost of doing business upon the ton mile basis?

9085 A. Yes sir.

Q. Then you take your figures in Exhibit 2, and divide the expenses upon the revenue basis, and then ascertain the extra cost upon a ton mile basis, at 50% more, at twice as much and then at three times as much?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence this statement.

The paper referred to is marked Complainant's Exhibit No. 68.

Complainant's Exhibit 68 is in the words and figures following, to-wit:

9086 Q. Have you also made a tabulation of the state passenger business from Exhibit 2, dividing the operating expenses upon a revenue basis, and then ascertaining the extra cost upon a passenger mile basis?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence this statement.

The paper referred to is marked Complainant's Exhibit No. 69.

Complainant's Exhibit 69 is in the words and figures following, to-wit:

9087 Q. Have you prepared a statement of the miscellaneous business along the lines of which you speak, and then made the division of all state freight in the same connection?

A. Yes sir.

Q. And is that also the same kind of an exhibit as to the passenger business?

A. Yes sir, it is all on the same statement.

Q. That is, you take the earnings for miscellaneous freight and passenger business, and divide them as the Exhibits introduced in evidence by the state divided them?

A. Yes sir, upon the revenue basis.

Q. And in the freight they made their calculations upon the ton mile basis?

A. Yes sir.

Q. And you followed it out upon the revenue basis?

A. Yes sir.

Q. And then you combined the two, and reached the result in that way?

A. Yes sir, combined the freight miscellaneous, and also the passenger miscellaneous, for the state business.

Q. You have a schedule attached to that exhibit, showing how the extra cost is ascertained?

A. Yes sir.

9088 Mr. HAGERMAN: I will offer in evidence the paper referred to.

The paper referred to is marked Complainant's Exhibit No. 70.

Complainant's Exhibit No. 70 is in the words and figures follow-

ing, to-wit:

9089 Q. Mr. Press have you also prepared a statement upon the same lines as Exhibit 70, but covering a period of six months instead of 3?

A. Yes sir.

Q. And this covers both freight and passenger?

A. Yes sir.

Mr. HAGERMAN: I will offer in evidence this paper.

The paper referred to is marked Complainant's Exhibit No. 71.

Complainant's Exhibit No. 71 is in the words and figures following to-wit:

9090 Q. Mr. Press have you also prepared a statement upon the same lines as Exhibits 70 and 71, but covering the passenger business for a period of 12 months, ending June 30, 1908?

A. Yes sir.

Mr. HAGERMAN: I will offer this paper in evidence.

The paper referred to is marked Complainant's Exhibit No. 72.

Complainant's Exhibit No. 72 is in the words and figures following, to-wit:

9091 Cross-examination.

By Mr. LEHMANN:

Q. Taking the first paper you submitted, Exhibit 67, passenger earnings and expenses, state and interstate, including mail, express and miscellaneous, for the state of Missouri, three months, to September 30, 1907, that takes in all the earnings both state and interstate?

A. Yes sir.

Q. That is computed for a period of three months, the first three months under the two cents per mile law?

A. Yes sir.

Q. Have you a like statement for the corresponding three months of the previous year?

A. No sir.

Q. You have no such statement as that?

A. No sir.

Q. You have made no comparative statement to show the operation of the two cent law, as compared with the operation of the three cent law for the corresponding periods of the year?

A. No sir.

Mr. HAGERMAN: Mr. Lehmann you haven't been here, but the testimony went fully into that matter and showed that separate figures were not put in, but it was put in for the system figures?

Mr. LEHMANN: I was here enough to know there was no corresponding statement for the previous year.

9092 Q. The next statement is Exhibit 65, state freight, revenue and expenses, for the State of Missouri, three months to September 30, 1907; the expenses being apportioned to state business on a straight revenue basis.

What is the proportion between the rates on state and interstate freight traffic on your line—about 2 to 1, isn't it?

A. I cannot say anything about the rates.

Q. You do not know what the relative rates are?

A. No sir.

Q. Your figures here then in Exhibit 68, the freight earnings show the gross freight earnings for those three months on state business?

A. Yes sir.

Q. Now your operating expenses, as shown in *in* your exhibit as $359,645.02, that means operating expenses in reference to revenue received?

A. Yes sir.

Q. Without any addition or reduction whatever?

A. Yes sir.

Q. Then you take the taxes, interest and rentals; in your rentals do you include what you pay for the use of part of your railroad system out here in the western part of the state?

A. This is for rentals of track and terminals.

9093 Q. Does that include what you pay on the Kansas City, Ft. Scott & Memphis?

A. To a certain extent that includes what we pay on our trust stock certificates.

Mr. HAGERMAN: Those figures are taken from Exhibit 2.

Mr. LEHMANN: It does include what you pay on those certificates for the stock of the Memphis Road?

A. Yes sir.

Q. You say if the extra cost of doing state business were ascertained on a ton mile basis at 50% more, there would be an additional expense of $92,856.01?

A. Yes.

Q. Now you have applied that 50% more on the ton mile basis to your division made on a revenue basis?

A. Yes.

Q. The result of that would be that if the average rate charged to state business is twice as much per ton mile as on interstate business, your 50% extra cost of doing state business would mean it would cost three times as much per ton mile to do state business as interstate?

A. Well, if it is computed on the ton mile basis, I don't know if it would amount to three times as much.

9094 Q. If your revenue basis is predicated on a charge for state traffic, that is twice as much per ton mile as the charge for interstate traffic, then your extra cost of 50% on a ton mile basis, would mean, wouldn't it, three times as much for doing state business on the ton mile basis, as for doing interstate business?

Mr. HAGERMAN: That is objected to on the ground that it is incompetent, and also because it is not proper cross examination. All this witness has done is to give a statement figuring on increased cost and where it would lead to.

The reason I make the objection is that we have been into this question time and time again, and it is merely reopening the case on a subject that has no relation to rebuttal testimony.

The COURT: I have stated my views on the admission of testimony several times heretofore. The testimony will be received subject to the objection.

A. I really don't know what it would amount to. I was asked to compute those figures and I did not go into that to find whether it would amount to three times, or what it did amount to.

Q. If the predicate I suggest, that the state charge is twice as much per ton mile as the interstate charge, then the conclusion I suggest would follow, wouldn't it?

A. I think it would.

Q. I wanted to get the basis of your statement here?

Mr. HAGERMAN:

Q. You haven't looked into that question at all, have you, Mr. Press?

9095 A. No sir.

Mr. LEHMANN:

Q. Your schedule "A" to Exhibit 68, is a mere matter of showing how you get your conclusions on Exhibit 68, isn't it?

A. With respect to extra cost?

Q. Yes, I say that is a mere matter of showing how you work out the problem?

A. Yes sir.

Q. And will explain itself to an expert?

A. Yes sir.

Mr. HAGERMAN: It is figured out just as Mr. Taliaferro said it ought to be figured, that is the mathematical part of it.

Mr. LEHMANN: Schedule "A" is a mere detail of Exhibit 68?

A. That is all.

Q. The next one, Exhibit 69, you say that takes in simply state passenger revenue and expenses?

A. Yes sir.

Q. First there is the apportionment of expenses between state and interstate, on the strictly revenue basis?

A. Yes sir.

Q. Then your taxes, interest and rentals, on Exhibit 69, signify the same as they do on Exhibit 68. I presume?

A. That is right.

Q. Then you simply worked out your figures on the as-

9096 sumption of 15% more, 25% more, 35% more, 50% more?

A. On the passenger mile basis.

Q. Yes on the passenger mile basis. And schedule "A" attached to that Exhibit is a mere detail of the Exhibit itself?

A. Yes sir.

Q. What is the distinctive feature of Exhibit 70?

A. We had never attempted to make a division between state and interstate of the miscellaneous revenue. And in this statement Exhibit 70 we have done so.

Mr. HAGERMAN: On the basis that Mr. Taliaferro made it, you mean?

A. Yes sir.

Mr. LEHMANN:

Q. It is consolidated freight and passenger, but you mean the miscellaneous freight and passenger earnings?

A. In the first part of the statement we treat miscellaneous alone, but further on we treat the state freight, and taking that in proportion to miscellaneous, and adding it to the strictly state freight, all state freight combined.

Q. Take the first page of that exhibit, and what do you do?

A. We take the miscellaneous freight revenues, and divide them between state and interstate.

Q. On what basis?

9097 A. On the revenue basis.

Q. You apportion as much of the miscellaneous earnings to the state business as it would be entitled to, on the assumption that the miscellaneous earnings were in the same proportion of state and interstate that the other earnings are?

A. Yes sir.

Mr. HAGERMAN: That is the way your expert divided it.

Mr. LEHMANN:

Q. And that is what you show here on the first sheet?

A. Yes sir.

Q. That gives the amount of miscellaneous earnings?

A. Yes sir.

Q. Then you apply the same figuring as to extra cost to these miscellaneous earnings that you did to the regular freight?

A. Yes.

Q. On the second page of this exhibit, you say you take all the state freight?

A. Yes sir, all state freight including the proportion of the miscellaneous.

Q. That shows they were 20.68% of all freight, and 14.69% of all earnings?

A. Yes sir, all earnings in Missouri.

Q. The earnings from all state freight were 20.68% of all

9098 freight, and 14.69% of all earnings; that means exclusive of passengers?

A. Yes sir, of the earnings in Missouri.

Q. The rest of it is a mere matter of figuring, which shows for itself?

A. Yes sir.

Q. Then you treat the passenger business in the same way?

A. Yes sir.

Q. You simply take arbitrarily the different bases of extra cost in passenger, 15%, 25%, 35%, 50%; and in the freight 50% and 100% and 200%?

A. Yes sir.

Q. You take that arbitrarily?

A. Yes sir.

Q. You are one of the auditors of the Frisco Road?

A. I am the statistician in the Auditor's office.

Q. You compile the statistics for the company?

A. Yes sir.

Q. Have you any figures in your records that will show for example how uniformly your through freight trains run with the full complement of cars?

A. Not that I know of, Mr. Lehmann.

Q. Could you tell for example from your figures what the efficiency of a car used in interstate traffic would be, as compared with one used in state traffic?

A. I couldn't tell that, Mr. Lehmann.

Q. And you know of no figures in your office that will
9099 show that?

A. No sir, I do not.

Q. Take your exhibit 71, what does that show?

A. That is the same exhibit 70, except that it covers a six months' period.

Q. It is the same as exhibit 70, but it covers a different period?

A. Yes sir. It takes in these same three months as covered by Exhibit 69, but takes in another three months also.

Q. It adds no new feature beyond that?

A. No sir.

Q. It simply extends the methods of exhibit 70 to a longer period?

A. Yes sir.

Q. What about exhibit 72?

A. Exhibit 72 is the same as the passenger part of the other Exhibits, except that it covers a whole year.

Q. You do not know of any statement made that would cover the corresponding year ending June 30, 1907? Any similar statement to this?

A. No sir, we have not made such a statement.

Q. Do you have any figures in your company's records that will show the average number of people carried by your ordinary or
day coaches, as compared with the average number carried
9100 by the Pullmans and special coaches of that kind?

A. I don't know. We may have records. I have not prepared figures as to that.

Q. Whatever statistical matter is compiled in your company is compiled by you, or under your direction?

A. Yes sir, a certain part of them.

Q. So far as you know you have no statistics showing the passenger mileage, that is, the actual passenger mileage made by the different classes of coaches in the passenger service of the company?

A. No sir, I don't know of any.

9101 ALEXANDER DOUGLAS recalled, testified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. I think you stated that the issuance of passes was stopped at the time of the passage of the Hepburn bill, which I believe was August 28, 1906?

A. Some time in 1906. I am not sure of the exact date.

9102 FRANK NAY recalled, testiified as follows:

Direct examination.

By Mr. HAGERMAN:

Q. In the compilation of Exhibit 61 by Mr. Taliaferro, and also Exhibit 64, the purpose according to his theory was in those exhibits to throw together all the state earnings: you remember those exhibits, Mr. Nay?

A. Yes sir.

Q. And in those statements he divided the earnings undivided in the Frisco statement, and through them into state and interstate as to revenue, into the strictly passenger business?

A. Yes sir.

Q. On the Rock Island road I believe you keep your records in such shape that you can separate them, or they are separable—these miscellaneous earnings, I mean?

A. To a certain extent.

Q. I suppose I am at fault in not having them separated in those other statements; because of some controversy in the Missouri Pacific hearing I advised all the auditors that it would probably tend to simplicity not to divide them. But on your road, about what is the percentage, and have you prepared a figure, or have you the figures to show it accurately?

A. I made an approximate division. Of course, Mr. Hagerman, the mail and express business, which is the larger proportion
9103 of the miscellaneous passenger earnings, must be divided arbitrarily.

Q. What is the basis ordinarily adopted?

A. I have used the total of located earnings. Neither mail nor express earnings have any relation to passenger business. I think if they have relation to any business, they would be more nearly analagous to freight. But I think the fairest system would be on the basis of located earnings.

Q. That is, if you have milk trains——

A. We have not milk trains. If we located them as being all in Missouri, we gave all the earnings to Missouri. Earnings from storage were assigned all to Missouri.

Q. That is because you could locate the earnings right there?

A. Yes sir.

And the parcel room receipts were all given to Missouri because we had included in our earnings the receipts of the passenger parcel rooms in the state.

Q. You treat that as an absolute passenger state earning because you can put your figure on it as actually earned in the state?

A. Yes sir.

Q. How do you treat excess baggage earnings?

A. We divide that on the basis of state and interstate passenger earnings. We think the baggage has direct relation to passenger revenue.

9104 Q. You do not think these other items have that relation?

A. No sir, we do not.

Now there is another item, the freight switching. We divide that on the basis of our state and interstate freight revenue. When we switch a car we do not know what it contains. We have no billing

for it. But we thought it fair to divide that on the basis of freight revenue, as being analagous to that.

Q. The miscellaneous freight business is governed largely by the same considerations as the passengers. The auditors adopt certain rules, attempting to locate these different earnings wherever you can, and when you cannot locate them then you must take some sort of an arbitrary division?

A. Yes sir.

Q. You think that is true where you divide the miscellaneous, whenever it becomes material to divide it?

A. In my judgment, yes sir.

Q. What is the result upon your road?

A. On the Rock Island, and these are figures for the state of Missouri, the freight miscellaneous divides 36.4% state, and 63.6%.

Q. And the passenger?

A. The passenger miscellaneous divides 30.6% state, and 69.4% interstate.

Q. I believe in Mr. Taliaferro's statement the passenger was divided so that it was practically 61%?

9105 A. That is as I recollect it. That was on the basis of passenger revenue.

Q. What do you say as to those figures practically representing the situation as to the Frisco Road in Missouri—that is your figures you have given as to the Rock Island?

A. Mail and express being the larger proportion of the miscellaneous earnings, in my judgment I would say they would be fairly representative.

Q. Mr. Ladd asked you to make some compilation: I don't remember just the nature of it. Have you made that for him?

A. Yes sir. Here it is.

Mr. HAGERMAN: I will offer in evidence the paper referred to.

The paper referred to is marked Complainant's Exhibit No. 73.

Complainant's Exhibit 73 is in the words and figures following to-wit:

9106 Q. What was it Mr. Ladd wanted you to show in Exhibit 73?

A. He wanted me to show three months for 1906, 1907 and 1908. I had given the figures for 1907 and 1906 only.

Q. This Exhibit 73 shows the amount received per passenger per mile for the months of July, August and September, 1906, 1907 and 1908?

A. Yes sir. It shows the passengers one mile, revenue, average receipts per passenger per mile for the three months in the three years mentioned, namely 1906, 1907 and 1908. It also separates the state from the interstate.

Q. What does that show as to increase, in a general way?

A. This shows as to state business an increase in passengers one mile in 1907 over 1906, of about 1,600,000 in round figures; and in revenue about $14,500.00.

Q. The portion of the increase on the Colorado line was what?

A. The increase of 1907 over 1906, of 1,682,341 was very largely on the line between St. Louis and Kansas City, the portion on that line being 1,070,527 in state passengers one mile.

Q. That is the line we have been calling here the Colorado line?

A. Yes sir. It was formerly the St. Louis, Kansas City and Colorado Railroad. Of the $14,520.57 increase in state
9107 revenue $13,846.43 was on so called Colorado line. It was practically all of it.

Cross-examination by Mr. LEHMANN:

Q. You have a line from here to Cameron, and beyond the state line?

A. Running northeast.

Q. And is that your own line?

A. Between here and Cameron we operate over the line of the Chicago, Burlington & Quincy. We have trackage rights over the C. B. & Q.

Q. Do you do a local business from here to Cameron?

A. We have during the last two years, I think it is. Formerly we did not.

Q. You do now?

A. Yes sir, we do now.

Q. In dividing your miscellaneous passenger earnings you locate as many of them as you can, and then base the unlocated ones upon the proportions of the located items, except as to baggage?

A. As to baggage, that was divided on the basis of the located passenger revenue, and then the other miscellaneous items, of which there are a lot of items, amounting to but a little bit of money, was divided on the basis of the division of those we were able to definitely locate.

9108 Q. You located what you could, and apportioned what you had left, as to baggage, and then you apportioned what you thought you could definitely apportion, and you took the rest and apportioned them upon the basis upon which you had gotten your definitely located expenses and your definitely apportioned earnings?

A. That is right.

Q. You apportioned excess baggage, which of course is the only kind that produces revenue directly, between state and interstate, upon the basis of earnings, upon the theory that on the average one passenger carried about as much baggage as another?

A. Well partially that, Mr. Lehmann, and partially because the excess baggage rates are assessed at a certain percentage of the passenger rate, 15% or 10% of the passenger rate is the excess baggage rate?

Q. Your apportionment really comes down to this, that taking it by and large, the interstate passenger is as likely to be carrying excess baggage as the state passenger, and vice-versa?

A. Yes sir, that would be the theory, but we do not know whether that is true or not. We felt that was the nearest approximation.

Q. And in your judgment, and as far as your observation would go, you take that to be correct? That is as correct a basis as you can get?

9109 A. I have not made an investigation to be able to testify very intelligently on that point, but of course so far as my knowledge goes that would be fairly correct.

Q. You, as a railroad man, have no reason for believing that that apportionment is not substantially a fair one?

A. The only reason I have is some of the reasons given in the testimony in this case. I might say I am starting an investigation now to find out the facts, but of course that will not be completed for some little time.

Q. To get facts to produce in evidence in this case?

A. No sir, just for my own satisfaction.

Q. Is that on the question of who carries the most baggage, the state or the interstate passenger?

A. Yes sir.

Q. You think possibly the traveling man with his short distance make up more in the way of baggage than the interstate passenger?

A. Possibly that is true.

Q. But you had not been impressed with that until it was suggested in this case?

A. I did not give it much thought one way or the other.

Q. Have you a showing as to your company, Mr. Nay——

A. I might say this, Mr. Lehmann, possibly it will help us both. The excess baggage, as I recall it, is a very small percentage of the total earnings. On the Rock Island I think it is something like $1300.00 for the State of Missouri.

9110 The COURT: For a year?

A. For the three months. It is a very small amount.

Q. $4,000 or $5,000 a year?

A. Yes sir. So it would not be very important which column it got into.

Mr. LEHMANN:

Q. Have you a showing as to the amount of mileage books or passenger mileage that was used on your line say during the periods covered by this statement, or any other representative period?

A. No sir, I haven't that.

Q. Your company does sell mileage on the two cent basis, and has done so for years hasn't it?

A. I think so. Yes, in common with the other roads.

Q. And then your company has also been in the arrangement under which what is called interchangeable mileage has been sold on the two cent basis, mileage good over any road that is in the arrangement?

A. Yes sir.

Q. Could you make a statement, say for any period, whatever period may be most convenient for you, of the relative amount of traffic done on that kind of mileage, that is, the proportion to the total. Take any representative or convenient period when such mileage was being issued?

A. I have some doubt as to our ability to make a statement for the past, Mr. Lehmann, as we have not kept that mileage

9111 separately. In our statement it has been separated between state and interstate. When a man made a state journey on that mileage it went into the state business, and when he made an interstate journey it went into the interstate business. For the future we could compile it, but it would be doubtful if it would be of very much benefit to any body, because since the two cent fare has gone into effect there has been comparatively little mileage sold.

Q. I was going to say, that since the two cent law went into effect, there has been but very little mileage sold?

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A. That is so.

Q. You cannot give it for any period in the past, when it was sold.

A. I don't think so. We destroy that within a few months.

Q. Does your company keep a record of the free transportation done by it, so as to make a showing of the amount of such free transportation of passengers, other than employés and members of their families?

A. Never regularly, but about two years ago, during the time the two cent fare bills were before the Legislatures of various states, I made a compilation for a short time, and the result of that compilation shows that the free transportation that would be cut off by the anti pass bill was about one per cent of the total passengers one mile.

9112 Q. About one per cent of the total passenger mileage?

A. Just about that. I recall that it was considered at the time to be quite a feature, and we made some statistics for a month or six weeks, as I recall it, that produced that figure. A large amount of the free transportation was the families of the employés of the Rock Island, and of the employés of other roads.

Q. I don't care to trouble you with that, but could you give me the actual record for any period, for the other class of free transportation?

A. I could for that period. It was in a paper that was printed at that time.

The COURT: Does the 1% include the employés

A. No sir.

Q. The free transportation of those having no claim upon the railroad?

A. Yes sir, that would be cut off by those anti-pass bills. We took the pending bills and took the transportation that would be eliminated by those bills.

Q. And you figured it would be about 1%?

A. Yes sir, of the total.

Mr. LEHMANN:

Q. Your Company, I will confine it to that, and not ask you to testify for the others—but your company kept no accounting of the free passes as it did of the tickets and the mileage books?

A. No sir.

9113 Q. As a matter of fact the way you had to make up your estimate for the period you dealt with, was to take the actual passes as they were used and returned?

A. Yes sir.

Q. And for a certain period you did that?

A. Yes sir. That was just at the close of 1906. About two years ago now. I recall that it was thought at the time that the figures might be high, for the reason that there was more travel at just about the holiday time than ordinarily, there would be.

Q. That was then for a period in December, 1906?

A. I think it extended over a part of November and a part of December, about 30 days, but I may be mistaken about the exact period.

Q. Have you any record of your company showing the average

number of passengers carried in what may be characterized in the ordinary day coach, and those carried in the Pullman coach?

A. No sir, we do not keep that separate.

Q. So you could not show from your records the relative actual efficiency of the two classes of passenger coaches, in passenger miles, of the business they do?

A. No sir, our records do not show that.

Q. You are not familiar at all with freight matters, are you, Mr. Nay?

9114 A. Well, to some extent I am.

Q. I did not want to bother you if you were not. I will ask you, then, if your company has any records which will show the relative efficiency of freight cars in state and interstate traffic?

A. No sir, we have never kept that separate by cars.

Redirect examination.

By Mr. HAGERMAN:

Q. Taking 1% as representing the free transportation prior to the passage of these anti-pass laws in 1906, that is such a small per cent that upon any theory of this case it would not cut any substantial figure, would it?

A. No sir.

Mr. CLARDY:

Q. In that 1% did you include the passes for bondsmen? In other words, about two years ago did not the Frisco Company cut off its list of bondsmen?

A. I don't know as to that.

The COURT:

Q. What do you mean by that, bondsmen?

Mr. HAGERMAN: Each company had somebody who signed all removal bonds and so on.

A. I do not recall that. I recall that our lawyers gave us a list of those who would be denied passes under the anti pass laws in certain states, that were then pending and afterwards passed. Our records were compiled on that basis, but I do not recall definitely about those bondsmen.

9115 Mr. CLARDY: Whether they were included or not, if the law prohibited passes for those bondsmen, then they were excluded. The law did not exclude them, but I think your company so interpreted it.

Mr. LEHMANN: Do you know on what principle those bondsmen were selected?

Mr. CLARDY: What has that principle to do with it, Mr. Lehmann?

Mr. LEHMANN: Just the same principle that the bondsmen were selected, as the needs of the company demanded.

Mr. CLARDY: They were selected on account of their financial standing.

The defendant here rests.

Thereupon both parties announced in open court that they had no more evidence to submit, and the case #2988 is declared fully submitted, except as to the testimony of W. B. Doddridge as to the value of the property, and any rebuttal testimony thereto that the defendants may see fit to offer.